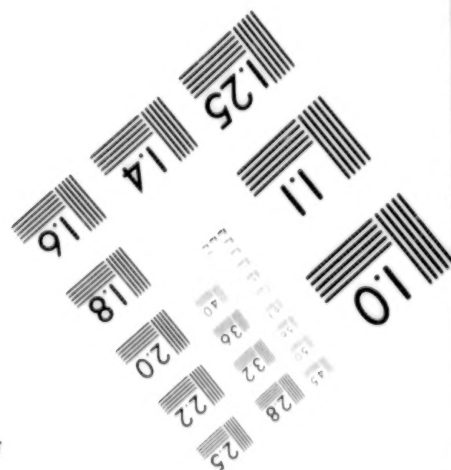
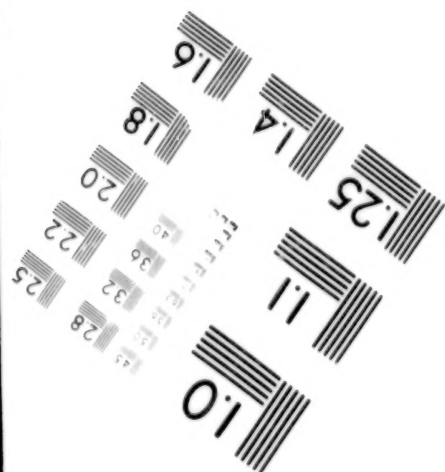
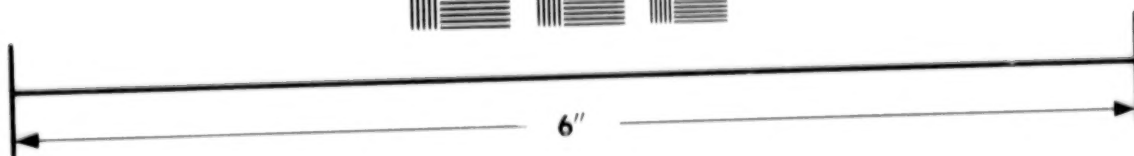
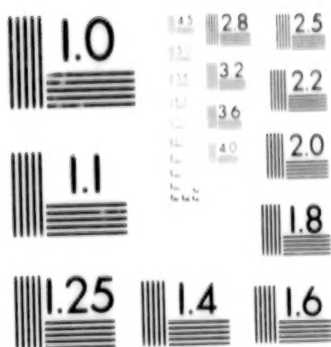


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FBIS Report: Central Eurasia

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Arbatov Views Russia's Future Standing In NATO

944F0938, Moscow, *NEZAVISIMAYA GAZETA* in Russian, 1 Jul 94 pp 1-2

[Article by Aleksey Arbatov, director of the Center for Geopolitical and Military Forecasts: "The Partnership Has Been Signed.... What Next? Russia Could Not Occupy an Equal Position in NATO"]

[Text] The Russian minister of foreign affairs has finally signed the framework document "Partnership for Peace" (PEP)—concerning certain measures of military cooperation of the Russian Federation and NATO, including peacekeeping operations. But whether the PEP will remain up in the air, whether most important actual problems will be resolved—this is, as before, unclear.

And these problems are primarily that the current mechanisms of international security by no means correspond to the new realities of world politics.

Nothing new has come in the past several years to replace the former system of relations based on two alliances of states headed by the USSR and the United States. As a result there is in the vast post-Soviet space and in Eastern and Southern Europe, which are in the grip of conflicts and instability that are customary for such periods, no system of security capable of bringing events under control.

The growing discrepancy between the new political realities and the structures of international security that pertained previously (or that are changing too slowly) constitutes the main problem of the present day. There have now streamed into this yawning gap, which is seething with uncertainty and enmity, political hawks from all sides: "great-power" advocates from the new Russia, with their own version of the Monroe Doctrine; radical nationalists from other post-socialist countries that see the "hand of Moscow" in everything; Western supporters of the "neo-containment" of Russia and a new cordon sanitaire. These forces are by their activity constantly fertilizing one another and helping them increase their influence within their own countries.

If on the fragments of empire in the post-Soviet space and Eastern Europe a struggle for spheres of influence between Russia and the West unfolds (and it could shortly be joined by the Muslim world and China), a new Cold War between the major powers and, perhaps, large-scale armed conflicts also will be unavoidable. Such has always been the case in history at the intersections of a redivision of spheres of influence and has always been fraught with great disasters. But the danger now is intensified by new features: the failure of Russia's democratic reforms, inevitable in such a case, the presence of enormous stockpiles of nuclear weapons and the likelihood of their proliferation, environmental threats, and so forth.

The sole alternative to such a course of events is the swift, but well-considered, building of new structures of security, primarily for Europe and the entire space of the former USSR, which have been affected most by the upheavals of recent years.

The United Nations is unsuitable for such a purpose, by virtue of its global nature, although the organization's efficiency has undoubtedly risen in recent years. The majority of members of the United Nations and a number of representatives on the Security Council do not pertain to Europe, and for this reason Russia, the European powers, and the United States would hardly wish to make the resolution of most important matters dependent on outside states or invest big resources in this. In addition, the attention and resources of the United Nations are scattered throughout the world as it is, in 17 peacekeeping operations costing \$3.6 billion a year.

The Western powers would prefer to use NATO as the foundation of a European structure of security. But, granted all the efficacy of this organization in the Cold War years, it would hardly be suitable for the new times and tasks. One problem is that NATO is by nature a military-political alliance for defense against a common external enemy. It is not suitable here, with its system of unanimity and joint armed forces, for the settlement of conflicts between member states (which was shown, for example, by the 1974 Greco-Turkish crisis). The attempts to adapt NATO for new functions in Yugoslavia have had a very dubious effect.

Another problem is that Russia could never occupy an equal position in NATO. As long as doubts and misgivings concerning Russia's further evolution persist in the West, inviting the latter into the bloc would be tantamount to letting loose a bull in a china shop. And Moscow also, having specific interests in certain regions, would hardly want to place its security policy and its armed forces under NATO command. Both the said points make the prospect of the spread of the alliance eastward frightening and provocative for Russia.

NATO undoubtedly remains an element of stability in Europe, considering the factor of a united Germany included. This alliance, and its administrative and technical resources and the new structures and programs that are being formed under its auspices (like the North Atlantic Cooperation Council or the Partnership for Peace, say) could be useful links of a new security system. Nonetheless, they are not suitable for the role of its foundation.

The EU [European Union] and the Western European Union (WEU) will undoubtedly gain in importance in European affairs. But the Union lacks the mechanisms for conflict settlement and the necessary military resources. In addition, the United States is not a part of the EU and the WEU, and Russia, if it does become a member at all, it will not be any time soon, considering the economic and

political admission standards. Building a system of security without these two powers is unrealistic, as is also assigning them the role of associate members. Meanwhile, a system of security is needed as soon as possible, while the instability is particularly dangerous.

Whichever way you add it up, the CSCE is the most preferable of the current international organizations. Not because it is efficient or well adapted to the new tasks, but because the other structures have even bigger shortcomings, genetic, what is more. The CSCE has the advantages of universality (together with the CIS, it has 53 states) and the equality of all the participants. Russia and the leading Western powers included. This organization was originally created for the settlement of problems between its members.

But there are serious shortcomings also. First, the CSCE is more a forum for the discussion of problems and the adoption of general declarations than a system of collective security. Second, the principle of consensus prevents the swift adoption of decisions on important matters, which, as a rule, run counter to the wishes of some participants. For better or worse, the political reality is such that the United States, France, or Russia will never make the resolution of cardinal problems dependent on, say, Malta or Albania. Third, the CSCE lacks a machinery for the effective fulfillment of decisions, its economic resources are extremely limited, and it has no military forces. The conditions of the realization of peacekeeping operations are so complicated as to be practically impracticable.

Consequently, an in-depth reform of the CSCE, a change in its mandate, and its conversion, essentially, into a plenipotentiary and operational branch of the United Nations in Europe are needed—on the basis of Chapter VIII of the UN Charter. The chairman of the CSCE should be endowed with political, not just administrative, rights. It is necessary to create a European Security Council with a small number of permanent members (for imparting operational immediacy) and to accord them the right of veto (so that there should be no fear of the Council being endowed with the most important plenary powers, including decisions on the use of force for the purpose of safeguarding peace). The Council could consist, for example, of permanent missions of the United States, the EU, and Russia, and also a number of nonpermanent participants from other states. Further, it would be necessary to organize executive bodies of the CSCE and to impart to the new system sufficient military resources of NATO, Russia, and other countries. Here would be the logical place for the Partnership for Peace program and other initiatives, and the mechanism of their realization.

What would such a security structure do? Russia has an equal right to participate in the resolution of the main

problems of European security together with the leading Western powers and in accordance with its actual (not inherited) status of great power. Moscow would get rid of its national humiliation complex and of the feeling of isolation from Europe that came as a result of the disintegration of the Warsaw Pact and the USSR. Participating actively and on an equal basis in European affairs, Russia would perceive less painfully the West's involvement in problems of the CIS and would not attempt to assert itself at the expense of weak neighbors. The boundary between the "near" and "far" abroad would be erased in favor of a single security space. The prospect of NATO's spread eastward would disappear of its own accord. With the establishment of effective cooperation within the framework of the CIS, the Commonwealth could, together with NATO, become one of the building bricks of a general system of security.

For the West, such a system would afford an opportunity for use of the immense positive potential of Russia in the solution of European questions and simultaneously dispel the apprehensions apropos the revival of Russian neo-imperialism in the post-Soviet space. An opportunity for extensive military cooperation would be afforded, and it would be easier to ensure civilian control over the Russian Army and its reform. NATO would not be subordinate to the CSCE here: The United States and West Europe in the shape of the EC would, after all, have the right of veto in the European Security Council.

The states of Eastern Europe and the former republics of the USSR would acquire a dependable mechanism of protection of their security, not making Russia their enemy by way of membership of NATO and not finding themselves on the forward line of a new confrontation. This would afford for all of Europe an ordered peacekeeping mechanism and would make it possible to reduce national armed forces even further and to create collective military contingents. Just a small part of the monies thus saved would provide for the functioning of a reformed CSCE (its annual budget is currently \$18 million, less than the cost of a single fighter).

It is easy to anticipate numerous objections to the idea that has been proposed (and that had been put forward earlier in this form or the other), both in the United States and the NATO structures and in certain circles in Moscow, and even among officials of the United Nations and the present CSCE. Whatever the true interests that these conceal, it is always easier to change nothing and on this soil achieve consensus. But in a period of tumultuous change, such a position is short-sighted and dangerous. History provides sufficient examples of this.

Parliamentary Committee on CIS Issues Recommendations

944F1016A Moscow NEZAVISIMAYA GAZETA
in Russian 13 Jul 94 pp 1, 3

[Article by Konstantin Zatulin, chairman of the State Duma Committee for CIS Affairs and Relations With Fellow Countrymen: "The 'Predictable' Kuchma and the 'Unpredictable' Lukashenko; Conclusions and Recommendations of the State Duma Committee on CIS Affairs and Relations With Fellow Countrymen on the Results of the Parliamentary Hearings 'On the Emergence of the CIS, Its Current Situation, and Outlook for Development'"]

[Text] Having analyzed from various angles the political process in the USSR that resulted in the Belovezh Agreements in December 1991 and formation of the Commonwealth of Independent States [CIS], and having studied the documents and proposed models for a possible reintegration of post-Soviet space, the State Duma Committee for Affairs of the CIS and Relations With Fellow Countrymen has come to the following conclusions:

- I. The hearings revealed a disagreement on the question of the reasons for dissolution of the USSR and formation of the Commonwealth of Independent States:
 - a) Whereas M.S. Gorbachev, former president of the USSR, saw the cause of the USSR's disintegration mainly in the actions of the Russian leadership and the August 1991 putsch, in the opinion of a number of former leaders of the Soviet Union (A.I. Lukyanov and V.S. Pavlov), a large share of the blame for disintegration of the USSR lies both on the former president of the USSR himself and also on the entire political leadership of the Soviet Union and Russia at that time.
 - b) S.M. Shakhay, deputy chairman of the RF [Russian Federation] Government, emphasized in his speech that the Belovezh Agreements merely underlined the disintegration and dissolution of the USSR and the one-party state that was incapable of reform. Three men, however much they might have wanted it, would not have been able to dissolve a world nuclear superpower.
 - c) There was a marked political and moral condemnation of the actions or inaction of politicians and bodies of government, which, having failed to assess the consequences of their behavior, agreed to the unconstitutional dissolution of the USSR.

If the USSR is seen as an imperial structure of a particular and specific kind, the Union's disintegration would neither have been organic nor inevitable, as occurred in the case with such classic empires as the British or French. Most of the speakers agreed that the country's disintegration was the result of space being given to disintegrative tendencies that objectively existed and that exist in any state, even a monoethnic unitary state. The extremely flagrant mistakes in the

course of negotiating the transformation of the Soviet system from totalitarianism to democracy played their role.

From this standpoint, the haste and improvisation manifested in the conclusion and ratification of the Belovezh Agreements and the Alma-Ata Protocol do not withstand criticism and do not find sufficient justification even in the numerous prior unilateral acts in the union republics, which ignored the USSR Constitution that was in effect at that time.

2. Most of the speakers, failing to see the birth of the CIS as some kind of immaculate conception and seeing the disintegration of the USSR as a tragedy of divided peoples, noted the futility of the idea of denouncing the agreements that are the basis of the Commonwealth of Independent States.

The dispute about denunciation of decisions that were made and were internationally recognized is already exhausting the constructive forces of the integrated community. Such a decision, if it were seriously taken up by socio-political movements, the Federal Assembly, and Government of Russia, would inflict serious damage to the trends outlined in the "new abroad" toward a real integration of post-Soviet space and would provide a basis for old fears of Moscow and Russia. Should we ourselves give another trump card to that political direction in the countries of the "far abroad," whose representatives are looking for a pretext for a preventive cold war against Russia? In our position, with our present borders, to gamble with the hope of voluntary integration?

3. Looking at the present state of the CIS and its future promise, the speakers noted:
 - a) Centrifugal tendencies within the framework of the CIS in the last year have begun to yield to centripetal tendencies. The present situation of the CIS, its lack of sufficient effectiveness, are not in line with the uncontrolled and growing anticipation of rapprochement that has been manifested by the peoples of a majority of the former union republics. The decisive moment of choice—integration or self-isolation from the problems of the "new abroad"—has come for Russia as well.
 - b) Economic prosperity, Russia's political and military authority as a unifying nucleus, is the most important and historically confirmed factor for integration of Eurasian space.

The opinion that for Russia, which in Soviet times imported the products of 102 industries and exported products of 104, it is now more advantageous to distance itself from the former markets in the "new abroad" is very vulnerable, especially from the pragmatic standpoint. It is obvious that an element of cooperation in the framework of the CIS, such as joint preservation of the former borders of the USSR, is preferable to developing new ones at a cost of R1

billion per kilometer. A general customs union of the CIS would allow the Russian Federation to hope for at least a reduction of its own customs personnel, whose numbers put it in first place in the world (35,000 customs officials of the Russian Federation, compared to 14,000 in the United States).

Unanimous support was given to the proposal for immediate ratification of the Treaty on Economic Union of the CIS Participating Countries and to measures to create a defense alliance of the CIS.

4. A particular place was given to discussion of issues related to selection of promising models for integration of post-Soviet space.

In addition to economic union, consideration was given to a minimum of another three scenarios of development: rapprochement with Russia on a bilateral basis (Russia-Belarus); the proposal to create a Union of Slavic States; and the draft of the Eurasian Union submitted by N.A. Nazarbayev, president of Kazakhstan.

Looking favorably upon any initiative toward integration, especially a foreign initiative, the speakers displayed caution about unreserved support of the idea of the Slav Union and the draft of the Eurasian Union. The idea of the Union of Slavic States, which was not sufficiently developed, is already capable of generating contradictions in a multiethnic and multifaith country like the Russian Federation. N.A. Nazarbayev's original draft, which dates back to proposals for a Union of Independent States of Europe and Asia, seems for the moment too small an addition to the present mechanism of the CIS. It is hardly possible to seriously carry out a project for integration that incorporates all the congenital traits of the declarative documents of the previous era: the appeal for unification within the framework of the Eurasian Union of all those willing and in agreement at a given moment, without taking into account the unavoidable subsequent parting of the ways with those who at present are not willing and not in agreement, above all on the domestic political scene; the project's lack of any real interest in protecting universal human rights and freedoms; the possibility of secession from the new union in six months by a simple unilateral declaration, and so on.

It is perfectly obvious that in discussing the future integration we need to strive to put content in the present Commonwealth of Independent States, which has not exhausted its potential by any means.

Taking what we have presented as its point of departure, the State Duma Committee for Affairs of the CIS and Relations With Fellow Countrymen, makes the following recommendations to the State Duma:

1. Condemn the hasty adoption and ratification of enactments aimed at shortening the existence of the Union of SSR because they did not take into account the entire complex of extremely complicated international and

domestic political consequences in the economy, in military policy, in humanitarian affairs, and in property law.

2. Refrain from actions aimed at denouncing the famous Belovezh Agreements on grounds of meaninglessness, from discrediting the State Duma, from direct damage that such a denunciation would do to the long-range interests of the Russian Federation and the very process of integration of all post-Soviet space.

Note: Members of the State Duma Committee for Affairs of the CIS and Relations With Fellow Countrymen, K.A. Tsiku and N.G. Bindyukov (the faction of the RF Communist Party), reserved their separate opinion on this point.

3. Taking into account the shortcomings of all the models proposed for reintegration, consider the basic task at the present moment to be strengthening and developing the Commonwealth of Independent States, which makes it possible to carry out integration at varying speeds and at many levels, and within its framework both models for integration such as Russia-Belarus and also other projects could be pursued.
4. Support ratification of the Treaty on Economic Union of the CIS Participating Countries, once again calling the attention of the RF president to the need for full support of constitutional procedure in adoption of the bill on ratification.
5. Carry on cooperation with the parliaments of the CIS countries concerning the problems of integration of post-Soviet space, using to that end the Interparliamentary Assembly of the CIS Participating Countries as well as bilateral and multilateral interparliamentary contacts. Support the idea of preparing a meeting of parliamentary delegations of four neighboring states (Russia, Ukraine, Belarus, Kazakhstan), at the same time envisaging the necessity for prior agreement on such a meeting from the supreme soviets of Ukraine, Belarus, and Kazakhstan.
6. Order the Committee for Affairs of the CIS and Relations With Fellow Countrymen to prepare a statement of the State Duma on the issues discussed in the hearings and to present the draft of that statement to a meeting of the State Duma.

Comment by the Committee Chairman

The parliamentary hearings, entitled "On the Birth of the CIS: Its Present State and Prospects for Its Development," were opened last week; this was an extraordinary event both for former party personnel and also for the present political elite of Russian society.

However, they might try to play down the importance of these hearings, the fact that they have taken place is the most important evidence that we are becoming an open and democratic society, albeit slowly and painfully. At least from the standpoint of the behavior of the political elite. The first step in that direction was taken when

officials of the Russian Government began to resign for the first time not for reasons of career, but for reasons related to a fundamental difference over the course of policy. Let us just recall the resignation of Grigoriy Yavlinskiy and others. The hearings that have been held can be described as the next step in the chain of that process.

I was surprised and embittered by the reluctance of the Choice of Russia faction and the 12 December Liberal Democratic Union to take an active part in the hearings. I think that this is a vivid sign of their actual choice in the discussion about integration or self-isolation from the new abroad, as is also the participation in this dispute of all the other factions and caucuses of the State Duma, with that one exception. Unfortunately, a portion of our sociopolitical spectrum still turns a deaf ear to any topic of integration, which gives reason to think that the entire process of

integration and unification within the framework of the CIS is the lot of the left-wing forces and older age groups. This is distressing, if that were really the case, because this gives rise to illusions and phobias, it has the result that young and able people quite sincerely consider any attempt at integration to be a desire to reestablish totalitarianism and the military-industrial monster. In my view, there are far more natural human, economic, and political reasons.

We must clearly declare that integration within the framework of the CIS is a national objective and real pragmatic condition for further evolution and development of the Russian state. The State Duma Committee for Affairs of the CIS and Relations With Fellow Countrymen set itself the task of declaring such an objective and of formulating a message to public opinion, to the peoples, governments, and parliament, when it held those hearings.

ECONOMIC & SOCIAL AFFAIRS

Yeltsin Adviser Livshits on Reform Issues

944K1808A Moscow LITERATURNAYA GAZETA
in Russian No 28, 13 Jul 94 p 10

[Interview with Aleksandr Livshits, leader of the group of experts under the president of the Russian Federation, by LITERATURNAYA GAZETA observer Oleg Moroz; place and date not given: "Low Inflation Is Dangerous Also"]

[Text]

[Moroz] In a recent interview you formulated the main tasks confronting the country's economy as follows: "...Maintaining to a maximum extent possible the saturation of the consumer market with tolerable prices. Preventing steep jumps here, switching the center of gravity of the reforms in so doing to a reform of production." You believe that prices are now tolerable?

[Livshits] Prices do not happen to be tolerable. They are always unpleasant. It should be a question, rather, of their dynamics. The price dynamics are tolerable as yet. In June the increase was no more than 6 percent. In July-August, according to soundly checked data, the anticipated increase is 6, 7, or 8 percent, not more. And, generally, the feeling is such that we have already passed the point at which the increase in prices constituted 25 percent a month. There will be no more such figures. There must not be.

[Moroz] You have your own, dissenting, view of inflation: You believe that not only inordinately high inflation but also inordinately low inflation are dangerous. But no country has yet complained of inordinately low inflation....

[Livshits] Russia's actual situation needs to be borne in mind here.... Please understand, I never liked the overfulfillment of socialist pledges. Because the socialist pledges were in themselves an overfulfillment of something or other, and overfulfilling overfulfillment—this is an utter absurdity. So it is that low inflation in Russia is now dangerous. The president's message to parliament cited, as you will recall, inflation figures of 3-5 percent by this December. Many people did not believe in these figures at that time. How 5 percent! This would be good were it to be the case within three years! But nearly 5 percent has been obtained six months earlier. And superficial people, even certain Western specialists, are applauding this. Smart ones evaluate everything otherwise: The figure is too low, "at odds with the mechanism." The economic mechanism is as yet too weak to be producing such low inflation. And this is very dangerous. I recently sent the president a report, therefore: Money needs to be injected into the economy. I am now advocating immediate credit issue, which will signify an acceleration of inflation. A moderate acceleration. Its proportions are approximately clear. Two months after the monetary infusion—if it is not distributed but bunched—this will produce an additional 2 percent. After we have experienced 25 percent, we would somehow endure the difference between 7 and 9 or even 8 and 10. But when people have not been paid for months on

end.... A member of a Duma delegation visiting a submarine-maintenance plant in the Far East was just about torn to pieces recently by workers that had not been paid since February.... This is dreadful. They simply need to be given the money.

[Moroz] Hollow money?

[Livshits] How do you mean, hollow? They could live on this money.

[Moroz] It would be enough that a precedent were being set. We know, after all, how tempting it is to use the printing press. The shelves would be empty before you had a chance to turn around.

[Livshits] They would not. Stocks are sufficient. Of course, this is hollow money from the viewpoint of the budget. But what can we do? Wait until people take to the streets? Inflation can, after all, be reduced to nothing if no one is paid anything.

[Moroz] Some Russian governors, meeting in Novgorod, recently presented a plan for the resolution of priority economic problems facing the country, primarily the arrears problem: the printing of an additional 10 trillion paper rubles. Do your proposals coincide?

[Livshits] Practically. The governors' proposal is by no means folly. Understand that we are not the last generation that will live in our great country, and trying to do everything as rapidly as possible, therefore, is the wrong approach. The main thing is to preserve social stability. A year or so ago I wrote the following dreadful words: There are things that are more important than reform, far more important—its comparably painless realization, stretched in time, imperceptible even, perhaps.... This is what I believe now also.

[Moroz] I do not believe that slow reforms, extended in time, are possible in Russia. A large number of bureaucrats, who would make a mess of everything, would inevitably be involved in this event. Only rapid reforms, like the liberation of the peasants, have been successful here. Or price liberalization.

[Livshits] There are not, in actual fact, free prices in Russia. This form of regulation or the other extends to 90 percent of them. Only the stall prices are in the least bit free, and conditionally speaking, at that. All the rest are regulated. By elastic methods—maximum profitability levels, trade markups, and so forth.

Yes, reforms have been rapid in Russia, but I am, nonetheless, a supporter of a change of speed. I am insisting that the third package of presidential edicts that have now been prepared should be the last prior to the fall.

[Moroz] When will it appear?

[Livshits] The president alone knows. But the degree of readiness is high.

[Moroz] The country's budget was, finally, voted recently. For the current year. The country has lived without a

budget for six months. As we all know, it was adopted with much creaking and clanging. Are you personally content with this budget?

[Livshits] I believe that the budget that has been adopted is the maximum of what can be done in the present political realities.

[Moroz] Political?

[Livshits] Yes, I emphasize that the present political realities are by no means adequate to the country's requirements. What do I mean by these realities? The apportionment of forces in the Duma. The mood fluctuations in it: Sometimes they vote for, sometimes, against.... The budget became hostage to all this. Of course, some things could have been rectified by the direct intervention of the president, but I, who work on the president's staff, would by no means have wanted this.

[Moroz] In adopting a budget with an inflated expenditure side we are not fulfilling our commitments to the International Monetary Fund. How, generally, can the government negotiate with the IMF or promise it anything (and obtain something from the IMF on the strength of these promises), knowing that not it, the government, but the Federal Assembly has the final say on the budget?

[Livshits] Truly, there is this awkward aspect. But there is another aspect also. Some commitments to the IMF are made, and what is given on the strength of these commitments is included in the revenue side of the budget. This is bad. In principle, what the Monetary Fund wants of us is good. It does not want either to humiliate or to colonize us. It simply wants there to be no steep inflation or any other dangerous phenomena here and gives money on the strength of this. But it is one thing when this money is used as an additional source of funding, it is quite another when it is included on the revenue side. Everyone understands here: If I break the commitments and do not receive what was promised, what will I make this up with? But a fact remains a fact: This has gone through. I believe that one further round of negotiations with the IMF will be necessary, perhaps. They are sensible people there. In particular, they should understand what we were talking about a little earlier—the danger of inordinately low inflation. Simply sticking firmly to some numerical indicators is unacceptable. And I do not believe that they would do this. Were they to do so, on the other hand, it would be necessary to look for some other sources of capital.

[Moroz] So the budget that has been adopted is a product born of a political quarrel. The quarrel will continue. Nonetheless, can we hope for some improvement in the budget by purely economic methods?

[Livshits] Yes, the expenditure side of the budget is a result of the apportionment of political forces. In pure form. With the revenue side the situation is different.... I have the feeling that in terms of a number of taxes it is not the threshold of economic sense but the threshold of psychological perception that has been crossed. The customs duty on imported cars, for example, is so high that simply no

one pays it, virtually. Even the honest individual. It is simply psychologically unacceptable. But the streets are full of imported cars. How do they get here? It is clear: thanks to bribes. Some taxes could be lowered perfectly painlessly, therefore: There is no revenue from these—inordinately overstated—taxes in any case.

[Moroz] The economic situation in the country is difficult. Bearing this situation in mind, I would like to believe that there is somewhere some think tank where thought is pulsating constantly, where moves and escapes from this situation are being sought continually, and where some alternatives are being considered. Is there such a think tank or is everything floating at the will of the waves?

[Livshits] Formally there is no such center. There is no office, no table at which some people regularly gather. But we all know one another....

[Moroz] Who are these we?

[Livshits] We—those whom I call “we”—you will not believe this, are altogether a maximum of about 10 persons. So few that it is impossible to imagine even. Well, 15, perhaps. There are some five, perhaps, that I do not know. We meet in various locations. We may frequently think up something on the street. The question of the series of edicts was raised on the street, near a restaurant. Raised in preliminary fashion, of course. I was walking along with someone—I cannot give his name without his consent—and the following conversation ensued: “Listen, it is March already, nothing is going on.... What if?... Let’s take him, him, and him, ask each of them what he has.”

[Moroz] And what structures are these people in?

[Livshits] In government structures, for the most part. I can even name three departments—the Ministry of Finance, Ministry of Economics, and the State Property Committee. So this think tank is like a cloud: it moves from office to office or to some country cottage.... Not to a country cottage where people are on vacation but where various serious papers are written....

[Moroz] A cloud in trousers?

[Livshits] Yes, no one wears a skirt there.

[Moroz] So a passing conversation on the street, some ideas.... But there are many conversations on the street. Not all of them find a material continuation or anything else besides....

[Livshits] Of course, that conversation was continued merely thanks to the president. Were it not for him, nothing would have come of it. A letter containing a detailed substantiation and saying how everything was to be done was written. And the president made the decision. “Do it.” And subsequently everything progressed as if on autopilot: You do this, you, this, you assemble these... And we were off and running.

[Moroz] The Supreme Soviet, which opposed the president in all things and ultimately became the headquarters of the

putschists, came to be replaced by the State Duma representing, to judge by the results of its half-year of existence, a gathering of loafers. So the president has now been forced to hoist onto his back the law-making work that should have been done by parliament. What do you think, will we ever have a full, competent legislative body? Perhaps this will be the third parliament: Good things come in threes?

[Livshits] I disagree with your certification of the Duma. It is very uneven in its composition. The committees or subcommittees headed by such people as Mikhail Zadornov, Boris Fedorov, and Pavel Medvedev are working very actively. They are devising bills that, in my view, are better than those of the government. The bill on the banking system, for example. This document is almost ready. There are many other hard-working and smart people there also.

[Moroz] You know, when I started out in journalism, I was astonished at the use in newspaper offices of the word "loafer." Ivanov, Petrov, Sidorov—loafers. How come? They buzz around all day long, they never take a seat. It is very simple: Nothing eventuates from their buzzing, they don't add a single line. So with the Duma also: What of it that work is humming in some committees and subcommittees—where are the laws? There is almost nothing....

[Livshits] You know, I have the feeling that in issuing edicts the president wants to force the Duma to work. And he is close to doing so. It could work. I have repeatedly heard talk that has reached us from there: You come out with your edicts, and we could do so even more quickly. Let's go! This is why everything is being done. Friends, acquaintances call: "You are talking about the banks again, and we have a bill that is just about ready." "So adept it, damn you. If you say that you will adopt it within a week, I personally will force my way into a meeting with the president and request that he suspend the corresponding edict."

[Moroz] So you believe that the Duma, not at committee level but as a whole, could work?

[Livshits] Well, I hope so, at least. You are absolutely right: Economic committees are not the full "face" of the Duma. Let us see.... I will be very interested in seeing how the banking bills progress. I am, for all that, an optimist at heart. I hope for the best. If they once again begin political games around the bills, we will then have to do what is most unpleasant: It will be necessary to advance the reforms by edict. I would be very reluctant to do this, to be candid.

[Moroz] After our friend Kebich failed in the first round at the presidential elections in Belarus, Chernomyrdin continued the games with him on unification of the monetary systems and even accelerated them. It is clear that from the economic viewpoint some costs await Russia here. The gamble is being made on certain political advantages. But what kind of benefits are there to be derived from rapprochement with a republic that never was able to cast off the communist uniform and that is writhing in the embrace of the communists? What advice are you giving the president on this score? How is he receiving it?

[Livshits] I have not given the president any advice on this subject. I have never spoken with him about this or even written anything. As far as my position is concerned.... I am on these matters, horribly dictu, of course, an imperialist. Simply proceeding from historical considerations. Russia cannot, after all, be a country other than it is. And there is no point harboring illusions here. It cannot be a small nonaligned country. Such as it is, so should it be. As far as the unification of monetary systems is concerned, I am not all that much in favor of this, to be honest—for the simple reason that the reforms in different countries of the CIS are developing differently. I am not only speaking about Belarus now. I do not want to live in a country to which—in the form of a confederation or something else—a Bolshevik republic is affiliated. I do not want this. We are tired of it. We are better off by ourselves. What does a common currency mean? Things should, after all, be called by their proper name. A common ruble zone means that the Belarusians should, undoubtedly, forgo part of their sovereignty. And there should be no wiggling here. What part of sovereignty? It is clear: The issuing function must be concentrated in one center. The coordination of the budgets or control over their budget must be very serious. How could it be otherwise? A huge deficit is swelling up there, and money will be required to cover it. And all the money that goes anywhere is subsequently returned to one place, which is called the Moscow Interbank Currency Exchange. And who is it who needs to destroy his own currency with his own hands? If precise political intentions are being pursued here—the creation of a confederation, say—there is at least some logic in all this activity. In the limitation of sovereignty included. But if it is contemplated moving Russian resources to another country out of simple philanthropy, such a motivation is clearly insufficient: National resources are not, after all, one's personal property. If you wish to help someone, give him your own money, sell your blood for medical purposes.... By all means. What will happen after the elections, we will see. I believe that up to the second round Russia should abide strictly by the rules of noninterference. No contacts!

[Moroz] Chernomyrdin is adhering to totally different rules here. He has tried with might and main to pull his friend Kebich from the mire.

You said in an interview: "Our president should be president of all of Russia. Not a communist or democratic or monarchical or some other such Russia, and be able to find that which is common that unites the maximum number of Russians." With the president it is clear, but what kind of Russia do you personally support?

[Livshits] I meant by the words "democratic Russia" the Democratic Russia organization. I, of course, cleave to democratic principles. There is nothing, strictly speaking, to explain here. In addition, I am a big supporter of a state of affairs in which the interests of the state are always effectively defended. I am for a confederation. Sooner or later it will be formed, I believe. I am convinced that all that has happened—the disintegration of the previous state—is a far-reaching tragedy for many people....

[Moroz] You are for a confederation within the framework of the former USSR?

[Livshits] Whatever.

[Moroz] Yet you just said that you are opposed to a confederation with Bolshevik republics.

[Livshits] Of course. The confederation must be formed by democratic countries.

[Moroz] That is, a confederation on a democratic market basis?

[Livshits] Yes, you could say that.

I am probably considerably less eloquent when answering such questions. Work takes its toll here. We have so little to do with such general talk.... Honestly. And not just those of us who work on the president's staff—many people from the government have complained to me about the same thing. The bulk of the time is spent not on global thinking and not on the creation of something good but on blocking what is bad. There is very great pressure from the lobby structures, for example. All kinds of horrifying details are discovered, what is more. I never in my life knew anything of the like. Every week almost I discover for myself increasingly new vistas of human decline. Many things you are not in a position to oppose. And then you simply make a wearily composed assessment of the amount of the probable damage that is being done to the country, the national economy, finances.... In other cases you weigh the need... to lie down on the track.... You will be run over, that is for sure. But will any good come of this? From time to time I send the president a letter on this matter or the other. In which I write down everything openly. For there is much he is unaware of also. He is trying to help everyone. But some should not be helped. Some should be put away. There is a multitude of criminal plots....

[Moroz] You express yourself so enigmatically. The reader will surely be intrigued and will be avid for a decoding of this monologue of yours. Tell us if only about a couple of specific criminal plots.

[Livshits] I cannot tell the reader, unfortunately. But you, so that you might have an idea of what I am talking about, perhaps. Switch off the recorder.

(With the recorder switched off and having extracted from me a promise not to divulge what I was about to hear, Aleksandr Yakovlevich told me of "plots" concerning theft and corruption on a giant scale taking place in our illustrious state. You will not read about these "plots" in any newspaper or hear about them on radio or television. Although they could, perhaps, break through to the surface after a certain length of time.)

[Moroz] You evidently have to discuss some economic matters with Yeltsin. What is your impression—is he strong in economics?

[Livshits] I have had to do so on only a very limited number of occasions. I have learned his opinion on this subject or the other mostly from his response to my

memos. If we are speaking of impressions from personal meetings, he has a striking swiftness of response. He does not require any precludes, any forewords, any explanations. But there have also been other nuances, about which there will be an opportunity to speak when we have all retired. This would be improper at this time in respect to a sitting president.

[Moroz] Is he quite responsive during a discussion on the subject of the economy?

[Livshits] Yes. He can be persuaded. This is an absolutely priceless quality for a leader. A rare quality.

[Moroz] You were transferred overnight from one social environment—that of research personnel—to an entirely different environment—that of government officials. How was this transition for you? And how do you feel in the new environment?

[Livshits] I have already spent more than two years in the Office of the President. I switched here in the spring of 1992. The first six months were perfectly dreadful for me. I had never worked in an administrative system prior to this. Moreover, I had not physically once set foot in a bureaucracy. It had somehow turned out that way. Contacts with people who had worked previously in any bureaucracy were initially something incredible for me. Not because it was difficult—it simply seemed to me that I had ended up in a world of some abnormal people. These people did not respond to the words themselves—they would seek some meaning behind them. When we had become friends and sat down together for the first time and "mortared in" properly, they confessed to me that they had taken me for some champion in craftiness. They had seen con men, but in order to.... They would pull this nuance or the other out of conversations, but simply could not tie them together. Into some idea. And this tormented them fearfully. "This slyboots, he's seen a thing or two!" But I had no guile, there was no underlying meaning at all! Like any normal person, I would say what I thought. And what I said, I meant. Nothing else. All kinds of trifling matters astonished me. Who was authorized what. For in the bureaucracy this is still alive. In superiors' offices, for example, there were lamps with big green shades. Lenin liked these. Not pink, not some other color, but green. For some time I was not authorized the type of lamp that I have now. It was smaller. Then this big one appeared. This was incomprehensible to me. And, generally, it is probably impossible to get wholly accustomed to this. But the point is that I am very busy.... I do not, to be honest, have the time to become involved in all this, to try to understand it. I have already begun to understand intellectually what dangers emanate from the bureaucracy. All this is clear to me. But... I am free. Just like some of my friends also. Although I get on well with everyone, Baturin and Satarov are, perhaps, the people closest to me. The thing about it is that we have other things going for us. Aside from this work. It would not be that terrible for me to lose it. Although I do not have, of course, a bank to which I could transplant myself were anything to happen.

[Moroz] You could return to research...

[Livshits] To research, no. No longer. It bores me. I tried, without any success. I have absolutely no interest...

[Moroz] A person with your name has in his lifetime to have encountered repeatedly manifestations of anti-Semitism—commonplace and otherwise. What has it been like with you? At what moments of your life and your career have you felt this to the greatest extent? Are you aware of it now, in this position that you hold?

[Livshits] I have been quite lucky. I have hardly ever been aware of it. Nor am I aware of it here. There is even the embellishment here, within these walls: "Livshits is easily hurt..." For this reason I am not ill-treated. In life generally it is rare that I have experienced this. I have simply been lucky. To some extent, most likely, because I am a Jew in the same degree that Vladimir Ivanovich Dal was a Scandinavian. This is often the case. My wife is Russian, my friends are Russian... True, there was one instance of which I am not all that proud. This was long ago. I was just starting to get published. And an editor friend once said to me: "You are appearing too often. Take a different pseudonym. What's the difference?" It was still those times. I replied: "Okay. Put down a pseudonym." He was happy: "I shall. Which?" "Rabinovich." This is not a joke. It actually happened. And this was sufficient. Such suggestions were never made to me again. Not one of the hundreds of my works have I had published under a different name. I am by no means ashamed of my own. It is a normal name. Just as long as it is written in the middle with a "v," not an "f"...

[Moroz] These publications included publications in LITERATURNAYA GAZETA also.... But then there was a gap...

[Livshits] Yes, I recall with pleasure my collaboration with LITERATURNAYA GAZETA. I love it. Unfortunately, I have less and less time for writing in the newspapers. Except for interviews, perhaps, like now....

[Moroz] Whose portrait is that behind you? Some military officer. A soldier's shirt of the old cut.... Old-fashioned glasses in a flimsy frame... Uborevich?

[Livshits] What do you mean, Uborevich! It is my father. In the volunteer defense force. He is living, fortunately. I was once at his place and saw that a veteran friend of his had taken this big photograph. I said: "Listen, I do not get a chance to come and see you all that often, let me have this photograph." He is my one remaining parent. This was recently. Eighty years old. They loved one another very much. Since the IFLI [Philosophy, Literature, and History Institute]. They were students at the IFLI together. And this portrait.... Films are shot here. Later the veterans are watching television: "Heh, Yasha Jr!..." This is him near Vyazma, incidentally. Ninety left out of a division of 8,000 men. He went on to Berlin. But this is another story.... I was recently interviewed in PRAVDA, incidentally....

[Moroz]...With a crass editorial comment.

[Livshits] Well, it's their business.... The only thing that I cannot understand is that in my introduction there were two lines about my father: I am the son, it said, of a fighter of the people's volunteer defense force. Well, this was, indeed, the case. The man fought, was wounded.... But at the last moment these lines were taken out. It probably seemed that this Livshits was too good. Too good a person among the president's associates. This does not happen. Had it been some rogue. The son of a tradesman. But that a presidential assistant is a son of a fighter of the volunteer defense force.... We cannot have this. And, of course, it is dreadfully offensive that they removed them because many veterans read PRAVDA. And many know my father.... He is a very respected person in veterans' circles.

[Moroz] Veterans read LITERATURNAYA GAZETA also. Although veterans of a somewhat different political coloration, perhaps. I hope that this interview enables them—and not only them—to become better acquainted with one of the president's assistants. I wish you success.

Measures To Bolster Energy Enterprises Described

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in Russian 8 Jul 94 p 2

[Article by Valeriya Ochinyan under rubric "The Energy Situation": "Power Companies Want To Lower Rates"]

[Text] Yesterday the Russian government received proposals prepared by energy company specialists of the Urals and Western Siberia in the course of a regional conference held in Yekaterinburg on 1 July. Officials of the YeES Rossii RAO officials and representatives of local administrations discussed the state of affairs in these regions' energy situation.

According to Nikolay Fedorov, the chief of the territorial energy department of RAO, the situation in the sector looks bad: Ural power companies owe 96 billion rubles to the budget, more than one trillion rubles to the suppliers of fuel, and another 3.3 billion rubles on bank loans. To be sure, the sector itself is a net creditor, because consumers owe the power companies very large sums. There is no doubt, however, that the consumers are not going to pay their debts.

On the other hand, the power companies' approach is not without sectorial selfishness. While acknowledging that rates are a "heavy burden" on industry, Fedorov emphasized that consumers are wasting electricity and could, in principle, reduce the energy costs of their goods. In June, Energonadzor ran a mass inspection and found that this indicator was too high in almost all the enterprises surveyed. In 1991, the Orsk-Khalilovskiy Metallurgy Combine consumed 14.6 kwh to make a tonne of iron; now it is 22; the Bogoslovskiy Aluminum Plant used to consume 17.15 kwh to make a tonne of raw aluminum, now it's 18.35; and so forth. Vyacheslav Yermolenko, the head of the Urals United Dispatch Administration, reported that on 28 June, Gazprom RAO turned off the gas for a number of energy system facilities, which forced them to shut down

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stations with a capacity of two million kilowatts. This could result in the collapse of the system and the emergence of a new factor in economic decline—an energy famine.

Also heard at the conference were specialists' proposals which were presented in two documents: one of a general character—a telegram to Viktor Chernomyrdin, and the other more specific. It is a program of joint actions by energy enterprises, the YeES Rossii RAO, and the administrations of the Urals and Western Siberia to prepare for the fall and winter season of 1994-1995. The document clearly coincides with the start of the federal government's discussion of matters of preparing for the coming winter.

Provisionally, the program can be divided into several groups of measures. The first includes actions by the energy systems themselves—the formulation of optimal modes of operation, repair work, technical retooling, stepped-up claims work to recover overdue debts, up to and including penalties on debtors' property, and activation of energy bill payment on a note basis.

Another group of measures is designed to get oblast administrations and republic governments to take active part: enforce agreements on fuel deliveries, put into operation a schedule for turning off nonpayers, and coordinate operating modes to ensure the safeguarding of electrical equipment in cases where fuel deliveries are stopped. In addition, the power companies are asking that banks and tax inspectorates step up efforts in accordance with the President's 23 May edict on detecting enterprises' second accounts and disallowed withdrawal of funds.

The third group, as is mentioned in the message to Chernomyrdin, contains a "complex of urgent measures to stabilize the financial situation in electricity, straighten out the gas supply and fuel accumulation situation, and complete the campaign of repairs on schedule; otherwise, it will be impossible to ensure normal energy supplies during the winter season." In particular, the power companies propose to request that the Gazprom RAO supply gas according to agreements. In addition, they want to pay for the gas as earnings from the sale of energy come in. As is well known, the power companies use gas in the summer and stock up on coal and fuel oil for the winter. In June, however, stocks of fuel oil actually diminished because of the more intensive use of that type of fuel.

In addition, the authors of the document intend to ask the government to extend the 15 March decree "On Cancelling Part of the Federal Budget Indebtedness for Certain Enterprises of the Defense, Agroindustrial, Fuel-Energy Complex, and Science" to all of 1994. Among the power companies' proposals: a monthly offset of deductions to the budget taking account of budget-financed organizations' indebtedness for energy consumed; the introduction of addressed tax breaks throughout the sector; the presence of a separate line of funds to cover expenditures on electricity where the government allocates budget funds to enterprises financed from the federal budget.

The question of electricity and heating rates was addressed anew at the conference. In the opinion of Sverdlovennergo AO General Director Valeriy Rodin, increasing rates will result in higher indebtedness on the part of consumers; therefore, when rates are being drawn up, they should exclude any deduction to investment insurance funds. This proposal was also backed by Uralenergo AO General Director Viktor Suruda, who said that the practice of introducing an investment component in the rate had proved useless in cases of nonpayment. The remedy is to reduce rates while simultaneously allocating new centralized investment credits. Only in this way, Suruda thinks, will it be possible to maintain minimally essential levels of construction in the energy sector. His words met with no objections on the part of those attending.

Counterintelligence Service's Antiterrorist Work Described

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13 Jul 94 p 2

[Article by KRASNAYA ZVEZDA correspondent Vladislav Pavlyutkin: Specialists of the Federal Counterintelligence Service To Combat Terrorist Bombs Are Standing in the Way of Death"]

[Text] *On 8 January 1977, Moscow was shocked by a terrible tragedy. The first act was played out on a surface section of the metro, between Izmaylovskaya and Pervomayskaya stations: a mighty explosion rocked one of the cars on the train that evening. Half an hour later, on 25 Oktyabrya Street, there was another blast. Hardly had the victims been carried away when another blast rocked the entrance of Store No 5....*

The tally that bloody Saturday was horrifying: seven killed, about 40 wounded and maimed. Moscow had never experienced such madness....

The similarity of the blasts and the time intervals between the terrorist acts led to the assumption that they were the actions of the same gang, sowing death in their wake. The best forces of the KGB [State Committee for Security] and the Militia were assigned to catch the criminals. They did catch them, as a result of massive, intensive search, one and a half years later....

Returning to those tragic days, my companion Col. Stanislav Zhornin, head of the Duty Section of the Moscow and Moscow Oblast Administration of the Federal Counterintelligence Service, explained:

"Along with search operations, the investigation required a large amount of detective work and data analysis support. It also became necessary to create special round-the-clock services whose task, among other things, is to combat possible terrorist acts.

"Circumstances forced us to form non-staff investigative groups, each of which includes six officers: an investigative officer, a crime scientist, two operations personnel, an explosives expert, and a photo documentarist. The group has special field equipment and vehicles. One vehicle is

equipped with a device called Shar-2, which is a hermetically sealed chamber to transport explosive devices safely. The 'gentlemanly' outfit also includes a portable x-ray machine, a Vystrel instrument to break through an explosive device's shell hydraulically, and an armored suit which the explosives technician wears.

"These investigative groups are on duty around the clock. When a report comes in about a blast or an explosive device that has been found, the decision of whether to go out is made. Our specialists' main task is to determine whether it is the Service's job to investigate the event. But... when an explosive device is found, it has to be rendered harmless immediately. Who should do it? Standard-issue devices are generally handled by army specialists. In emergencies, however, we also get involved. But home-made explosive devices—which are in the majority—are all ours."

The hands of the clock showed 1:30 in the morning when the duty officer ordered the investigative group to go immediately to Nizhegorodskaya Street. A few minutes earlier, a device with a working time mechanism had been found in the Zakarpatskiye Uzory Restaurant.

The group arrived on the scene and got right to work. In the interior courtyard they removed a home-made bomb from the fountain; it had been tossed there by a frightened cloakroom attendant. Speed was crucial: the clock mechanism was ticking right along. A blast could happen any moment.

The first job was to disconnect the charge from the fuse. The technician, Lt Col Grigoriy Yeremin, leaned over the dangerous device. Speed is all very well, but just one careless move and—! His armored suit wouldn't save him; a kilogram of explosive could destroy everything around. Moreover, his hands were not protected at all. Like a pianist's hands, they had to be especially sensitive.

The fuse went bang five minutes after Yeremin disarmed the evil device. The elapsed time since the group arrived was a few minutes more than that.

For that virtuoso nighttime feat Yeremin was recommended to be awarded the For Personal Valor Medal.

Grigoriy Vladimirovich doesn't look much like Rambo; in fact, he almost perfectly matches the traditional description of the bespectacled intellectual. And there is something to that: bravery alone will only get you so far.

"In our work, of course, there is always an element of risk," says Yeremin. "But when you get absorbed in the case you forget about that. It's only later that you begin to realize, in the back of your mind, so to speak, that the old man with the scythe was standing right by you...."

Two years ago our friend Sergey Sh. got hurt while defusing a home-made grenade. He's an excellent specialist, by the way. And he was doing everything just right. But, something went wrong. Sergey lost the fingers of his hand, and doctors removed seven fragments from his body. It was a miracle he survived. And he still managed to

convince them to keep him on the service. Now he's a lieutenant colonel, one of the best specialists in the unit. We have a really good team, it would be hard to find more responsible and reliable people. Novices don't come to work for us....

"And the simple reason is that the risk is too great, a man is too unprotected in the face of mortal danger. And we're in desperate need of up-to-date equipment! Protective, diagnostic, evacuation equipment. But, in particular, robots. Even underdeveloped countries can afford that. In our country, however—. They were going to set up a program to develop technical equipment, and the administration approved it. But what's the use when there's no money to pay the developers?"

"They wanted to go abroad to buy a robot—which would be the only one in the whole country, let alone Moscow! But they couldn't scrape up the money. A smart machine like that costs 300,000 'greenbacks' (sad to say, some of the 'bosses' of the criminal world, perhaps even including the 'demolition experts,' probably lose that amount gambling one night in a casino). Yet round-the-clock section specialists risking their lives get an average of about 300,000 'wooden rubles.' An arithmetic problem: how much cheaper is a human life than a machine?"

Meanwhile, both the professionalism and the technical equipment of the gangsters are increasing year by year. Increasingly, they are using radio-controlled bombs. It used to be that so-called commercial explosives stolen from geologists, tunnel blasters and drillers held first place; now it is mostly military explosive devices and standard-issue detonators. Where do they come from? The most widespread notion is that they come chiefly from army warehouses.

"That's not true," says Col Stanislav Zhorin. "Thefts of that sort are very rare, they are all rigorously registered and immediate steps are taken. The main 'suppliers' are Afghanistan, various 'hot spots' and the Baltic countries. The greatest destabilizing factor today is the porousness of Russia's borders."

"Not long ago two teenagers saw an unattended red package on a metro car. When they got out at VDNKh Station they took it with them. Inside they found an alarm clock, some funny-looking cylinders, and wires.... One of the boys had eyes for the package, the other wanted the alarm clock. They tore off the wires and divide it up. The rest of it, which they didn't want, they threw under a bench. The cylinders turned out to be TNT. It's a good thing everything turned out all right. The teenagers were later found, but the scumbag who tried to blow up the train was never caught; the clues led to Georgia, where gangsterism is 'sovereign' these days. Might as well look for wind in a field!"

"The cowardice and cynicism of the criminals know no bounds. Explosive devices have been found everywhere, in packages and parcels, in books, in imported beer cans, cigarette packages...."

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"An eight-year-old boy died when he picked up a package of juice from the hood of a car. A businessman received an electric razor in the mail. The unfamiliar return address made him wary. Just in case, he went to the police. The officer on duty couldn't think of anything better to do than try it out. He plugged it into a socket—and lost his hands.

"The widely reported blast on Osenniy Boulevard was caused using a remote-control device. The perpetrators could see that two little girls were playing nearby to the booby trapped car, yet their hands didn't tremble...."

Specialists advise that we be wary of any seemingly "forgotten" or unfamiliar objects that happen to come into our hands!

For a number of objective reasons, the number of cases that are solved still remains very low. How can we change the situation radically?

"The roots of evil are to be sought in the present state of society," says Lt Col Grigoriy Yereimin flatly. "As long as the nutrient soil exists for corruption and crime, as long as the state fails to impose order in all aspects of our life, in particular the economy and law-making, until we stop this moral degradation there is no hope for a turn to the better. Right now we're fighting shadows...."

Last year, 61 blasts were registered in Moscow: 13 persons died and 12 were injured.

In the first five months of this year there have been 52 blasts. Between January and April alone, bombs have killed 12 persons and injured 39.

From 1 January through 26 June of last year, investigative groups handled 56 cases on the spot.

The figure for the same period this year is 87.

What happens tomorrow?

Edict, Schedule on Support for Enterprise Modernization

944F0987A Moscow ROSSIYSKAYA GAZETA
in Russian 13 Jul 94 p 4

[Edict of the President of the Russian Federation: "On Procedures for Granting Financial Support to Enterprises From Federal Budget Funds"; signed by Russian Federation President B. Yeltsin, Moscow, the Kremlin, 8 July 1994, No 1484]

[Text] In order to provide financial aid to enterprises in the period of implementing programs of the structural restructuring of production, to ensure effectiveness in the use of federal budget funds provided for the financial support of enterprises, and enhance enterprise managers' responsibility for the proper use of received funds, I hereby decree:

1. That short-term financial support from federal budget funds may be provided to enterprises (including federal public plants, public factories, public farms) in the process of structural restructuring of production, in the form of loans for a period not to exceed the current

fiscal year, on a demand basis and for a fee in an amount covering the amount of interest for a state loan.

If an enterprise which is being granted short-term financial aid has debts owing to the federal budget for taxes and tax payments, it may, in accordance with established procedures, be granted a tax deferment.

In the event of delayed payment of a loan obtained by way of short-term financial support, penalties may be applied to the recipient in accordance with established procedures.

2. That short-term financial support may be granted to enterprises of all forms of ownership:

to carry out structural restructuring of production;

to pay for earmarked credit for the purchase of equipment and materials;

to develop, adopt, and acquire the latest technologies, equipment, and materials, including from abroad.

That enterprises may not apply more than 5 percent of a granted interest-free loan to pay salaries and wages.

3. That the Procedure for granting short-term financial support to enterprises engaged in structural restructuring of production be approved.

4. That short-term financial support shall be granted to enterprises on the basis of decisions of the Government of the Russian Federation exclusively for purposes stipulated in Paragraph 2 of the present Edict, after the enterprise and the Finance Ministry of the Russian Federation have concluded an agreement on the granting and repayment of the loan.

5. The Government of the Russian Federation shall:

in a month's time approve procedures for monitoring the proper use of short-term finance support funds;

approve a Standard Agreement on granting and repayment of a loan, stipulating the procedure for repayment of the loan ahead of schedule if the enterprise does not use the allocated funds for the purposes stipulated in the present Edict;

in drafting the federal budget for 1995 and subsequent years, stipulate that up to 4 percent of the federal budget's aggregate expenditures be allocated to grant short-term financial support to enterprises.

6. The present Edict shall be in force from the moment it is published.

[signed] **B. Yeltsin, President of the Russian Federation**

Moscow, the Kremlin 8 July 1994 No 1484

Procedure for Granting Short-Term Financial Support to Enterprises Engaged in Structural Restructuring of Production

1. The present Procedure for granting short-term financial support to enterprises engaged in structural restructuring of production (henceforth, Procedure) defines

the requirements on enterprises applying to the Government of the Russian Federation to obtain interest-free loans in accordance with Edict No 1484 of the President of the Russian Federation, dated 8 July 1994, "On the Procedure for Granting Financial Support to Enterprises From Federal Budget Funds," and also on the executives thereof.

2. Loans from federal budget funds shall be granted on the basis of decisions of the Government of the Russian Federation, to enterprises of all forms of ownership, also federal public plants (public factories, public farms), for a term to be determined by the Government of the Russian Federation, but not to exceed the end of the current fiscal year.

3. On applying to the Government of the Russian Federation to obtain a loan from federal budget funds, the enterprise shall submit:

an application to receive short-term financial support, signed by the executive and the head accountant of the enterprise;

copies of documents showing the enterprise is registered with the state;

information about the proposed use of the loan, with confirmed technical substantiation (technical target);

a copy of the enterprise's balance sheet for the preceding fiscal year, verified by an auditor or the tax inspectorate;

a conclusion [zaklyucheniye] by the federal body of the executive branch that is responsible for the state of the corresponding sector of the economy;

a conclusion by bodies of the executive branch of the subject of the Russian Federation on whose territory the enterprise is located.

4. In addition to the documents indicated in Paragraph 3 of the present Procedure, joint stock companies, enterprises with foreign investors, and private enterprises shall submit a bank guarantee of loan repayment.

5. When applying to obtain a loan funded by the federal budget, executives of state enterprises, federal public plants (public factories, public farms), and also joint stock companies all of whose shares are federally owned, shall, simultaneously with the documents stipulated in Paragraph 3 of the present Procedure, submit a document attesting consent to reformulating their labor contracts to contracts concluded in accordance with Edict No 1200 of the President of the Russian Federation, dated 10 June 1994, "On Measures to Provide State Administration of the Economy."

The draft of a contract with an executive of a state enterprise, federal public plant (public factory, public farm), and also a joint stock company all of whose shares are federally owned, shall be prepared by a federal body of the executive branch authorized by the Government of the Russian Federation, coordinated

with the executive of the relevant state enterprise, federal public plant (public factory, public farm), and also a joint stock company all of whose shares are federally owned, and submitted to the Government of the Russian Federation no later than seven days from the date of submission of the application to obtain the loan.

6. On the basis of the conclusions of the Ministry of the Economy of the Russian Federation and the Ministry of Finance of the Russian Federation concerning the documents submitted by the enterprise in accordance with Paragraph 3 of the present Procedure, the Government of the Russian Federation shall, no later than 20 days from the receipt of the documents, decide whether to grant the loan or refuse it.

A decision to grant a loan shall be formalized by order of the Government of the Russian Federation.

In the event the loan is refused, a protocol note shall be entered and the enterprise shall be informed in writing.

7. Simultaneously with the decision to grant a loan to a state enterprise, federal public plant (public factory, public farm), and also a joint stock company all of whose shares are federally owned, the Government of the Russian Federation shall decide on dissolving the labor contract with the executive of the corresponding state enterprise, federal public plant (public factory, public farm), also a joint stock company all of whose shares are federally owned, and conclude with him, no later than two days from the time the decision to grant the loan was made, a contract in accordance with Edict No 1200 of the President of the Russian Federation, dated 10 June 1994, "On Measures To Provide State Management of the Economy." When a loan has been granted to a state enterprise, federal public plant (public factory, public farm), also a joint stock company all of whose shares are federally owned, it shall be prohibited for a federal body of the executive branch authorized by the Government of the Russian Federation to initiate refusal to conclude a contract with the executive of that enterprise etcetera.

8. On the basis of the decision of the Government of the Russian Federation to grant a loan to an enterprise, the Ministry of Finance of the Russian Federation shall conclude with this enterprise an agreement on the granting and repayment of the loan in accordance with the Standard Agreement approved by the Government of the Russian Federation.

9. Monitoring of the appropriate use of loans granted from federal budget funds shall be carried out by the Ministry of Finance of the Russian Federation according to procedures established by the Government of the Russian Federation.

Edict, Statute on Registration of Entrepreneurial Activity

94410987B Moscow *ROSSIYSKAYA GAZETA*
in Russian 13 Jul 94 p 5

[Edict of the President of the Russian Federation: "On Imposing Order on State Registration of Enterprises and Entrepreneurs in the Territory of the Russian Federation"; signed by B. Yeltsin, President of the Russian Federation, Moscow, the Kremlin, 8 July 1994, No 1482]

[Text] In accordance with Articles 34 and 35 of the RSFSR Law "On Enterprises and Entrepreneurial Activity," and also in order to impose order and accelerate the process of state registration of subjects of entrepreneurial activity, I hereby **decree**:

1. That the attached Statute on the Procedure of State Registration of Subjects of Entrepreneurial Activity be approved.
2. That the application of the Statute on the Procedure of State Registration of Subjects of Entrepreneurial Activity shall be binding on all bodies authorized to effect state registration of enterprises and entrepreneurs in accordance with the laws of the Russian Federation.

Registration of Enterprises having foreign investments shall be effected in accordance with the Statute on the Procedure of State Registration of Subjects of Entrepreneurial Activity and in compliance with stipulations in the RSFSR Law "On Foreign Investments in the RSFSR."
3. State registration in accordance with the Statute on the Procedure of State Registration of Subjects of Entrepreneurial Activity shall also be required of noncommercial organizations operating or newly created in the territory of the Russian Federation, if they have been granted the right to conduct entrepreneurial activity in accordance with their approved constituent documents.
4. That the Government of the Russian Federation shall, within a three-month period, make the necessary changes in existing procedures of maintaining a unified state register of subjects of entrepreneurial activity and other normative acts.
5. That the present Edict shall be in force from the time it is published.

[Signed] **B. Yeltsin, President of the Russian Federation**
Moscow, the Kremlin, 8 July 1994 No 1482

Statute on the Procedure of State Registration of Subjects of Entrepreneurial Activity

The present Statute stipulates the procedure for state registration of:

legal persons which are subjects of entrepreneurial activity—enterprises, other commercial organizations, and also noncommercial organizations having

the right to carry out entrepreneurial activity (henceforth, enterprises), which have been created in accordance with the laws of the Russian Federation;

general partnerships created in accordance with the laws of the Russian Federation;

citizens of the Russian Federation, foreign citizens, and stateless persons engaged in entrepreneurial activity without forming a legal person (henceforth entrepreneurs).

The present Statute shall not apply to the registration of commercial organizations whose special procedures of state registration are defined by legislative acts of the Russian Federation, also enterprises to be created in the process of privatization.

I. Registration of an enterprise

1. State registration of an enterprise requires submitting the following documents:
 - an application for registration of the enterprise, drawn up in any form, and signed by the founder or founders of the enterprise;
 - an enterprise charter approved by the founder or founders;
 - a decision to create the enterprise or the founders' agreement;
 - documents confirming the payment of at least 50 percent of the authorized stock (fund) of the enterprise as indicated in the decision to create the enterprise or in the founders' agreement;
 - a certificate of payment of the state fee.

In the state registration of general partnerships, no charter need be submitted, and in the state registration of noncommercial organizations having the right to conduct entrepreneurial activity, it is not necessary to submit a decision concerning the creation of the enterprise or the founders' agreement.

In cases where an enterprise is created by one founder, the enterprise charter established by him shall be considered the decision on creating the enterprise.

2. The constituent documents of an enterprise shall be submitted to the registering body by its founder (founders) or by representatives of the founder or founders, or forwarded to the registering body by insured mail with a notification and inventory of the contents.

The date of the submission of the constituent documents for registration of an enterprise shall be considered, respectively, the date of their actual submission to the registering body or the date of mailing indicated on the mailing receipt, with an inventory of the constituent documents submitted. In the latter case, the receipt verifies that these documents have been submitted for registration.

3. When registering an enterprise, the following requirements are imposed on the constituent documents in accordance with the laws of the Russian Federation:

- a) the charter must contain information about its organizational-legal form, its name, location, the amount of its authorized capital (fund), personnel, procedure of formation and competence of its bodies of administration and control, procedures of distributing profits and the formation of enterprise funds, and procedures and conditions of reorganization and liquidation of the enterprise;
- b) for state and municipal enterprises, also noncommercial organizations having the right to conduct entrepreneurial activity, their charters must indicate the types of activity to be engaged in by the enterprises;
- c) the founders' agreement must contain information about the name [naimenovaniye, imya] and juridical status of the founders, their location (residence), state registration (for legal persons) or personal identification (passport data for physical persons), the amount of authorized capital of the enterprise, participation (shares, amount of stock) belonging to each founder, and amounts, procedures, and methods of making contributions (payment of shares).

The founders' agreement of a general or mixed partnership shall also indicate the numbers of the certificates of registration as entrepreneurs in the case of citizens who are full members of it;

- d) the amount of the authorized capital (fund) of a joint stock company, an enterprise with share participation of foreign investments (joint enterprises regardless of their organizational-legal form), or a state or municipal enterprise must not be smaller than an amount equal to 1,000 times the amount of the minimum wage per month as stipulated by the laws of the Russian Federation as of the date of submitting the constituent documents for registration.

The amount of authorized capital (fund) of enterprises of other organizational-legal forms shall not be smaller than an amount equal to 100 times the amount of minimum wages per month as stipulated by the laws of the Russian Federation as of the date of submission of the constituent documents for registration;

- e) in the case of submission of documents of an enterprise whose amount of authorized capital (fund) exceeds the amount stipulated by the anti-monopoly laws of the Russian Federation, the founder (founders) shall be obligated to submit a document confirming the consent of the appropriate anti-monopoly body to the creation of the enterprise;
- f) when submitting documents of an enterprise whose founders include state and/or municipal enterprises, it is necessary to submit documents confirming the consent of the appropriate committee on property administration or other authorized body with respect

to the amount and method of payment of contributions by state and/or municipal enterprises to the authorized capital (fund) of the enterprise to be registered, except for cases where said contributions are made in monetary form from the profits of the founders-enterprises;

- g) a decision to create an individual private enterprise shall be drawn up in any form without obligatory notarization (in the case of submitting documents which verify the identity of the founder).

4. In registering an enterprise, it shall be prohibited to demand guarantee letters and other documents confirming its location as indicated in the constituent documents (charter) of the enterprise.

Liability for damages which may be suffered by third parties because the location of the enterprise indicated in the constituent documents (charter) is not correct shall be borne by its founder or founders.

It shall be prohibited for registering and other state bodies to impose other requirements on applicants and constituent documents submitted by them for registration, except for those stipulated by the present Statute.

5. Registration of enterprises shall be effected by the registering organ no later than three days from the date of submission of the necessary documents, or in the course of 30 calendar days from the date of the mailing as indicated in the receipt concerning the forwarding of constituent documents listed in Paragraph 2 of the present Statute.

Registration shall be effected by assigning the enterprise the next number in the journal of registration of incoming documents and by affixing a special endorsement (stamp) showing the name of the registering body, the number and date on the first page (title sheet) of the charter of the enterprise, authenticated by the signature of the official responsible for the registration.

II. Registration of an entrepreneur

6. For state registration, an entrepreneur shall submit:

- an application drawn up in the approved form;
- a document showing payment of the registration fee.

When sending documents for state registration by mail according to procedures stipulated in Paragraph 2 of the present Statute, an envelope with the return address and marks showing payment of postal remittance shall be enclosed with the documents.

- 7. State registration of entrepreneurs shall be effected by the registering body on the day the documents are submitted or within three days from the time the documents are received by mail. In that same period, the applicant shall be issued (or sent by mail) a permanent certificate of registration as an entrepreneur.
- 8. It shall be prohibited to demand other documents or the completion of other actions for registering an entrepreneur (extending the term of the certificate of registration).

9. State registration of a citizen as an individual entrepreneur shall no longer be in effect once a court has decided that an individual entrepreneur is insolvent (bankrupt), or on the day the registering body receives the entrepreneur's application to annul his state registration as an entrepreneur and the certificate of registration issued to him previously.

III. Refusal of registration

10. Refusal of registration of an enterprise (entrepreneur) shall be permitted only in cases where the submitted documents and the composition of the content of the information in them are not in accordance with the requirements of the present Statute.

Notification of refusal of state registration within a three-day period from the day the documents for registration were submitted, or received in the mail, shall be sent to the applicant or applicants at the address he they indicate, in written form, signed by the official responsible for the registration, indicating all the documents or information stipulated by the present Statute but not submitted by the applicant.

11. If it is established that the information contained in the submitted documents is not correct, that the procedure for creating the enterprise has been violated, or that the constituent documents are not in compliance with the laws of the Russian Federation, the body which effected the registration shall, within one calendar month from the day of registration, notify the enterprise of the necessity of submitting the appropriate amendments and/or changes to the constituent documents.

Within seven calendar days from the receipt of such notification, the enterprise is obliged to submit appropriate additions and/or amendments to the constituent documents and to submit them to the body that effected the registration of the enterprise in accordance with procedures stipulated in Paragraph 2 of the present Statute.

12. If an enterprise fails to submit information showing that changes and/or amendments have been made to the constituent documents within the stipulated period, the body which effected the registration of the enterprise is obliged to institute suit in arbitration court to acknowledge that the constituent documents of the enterprise are completely or partly invalid.
13. Any interested party has the right, within six calendar months from the date of registration of the enterprise, to appeal to the court (arbitration court) to declare invalid the registration of the enterprise and/or its constituent documents (completely or partly).
14. The decision of the court or the arbitration court shall constitute grounds for annulling the state registration of the enterprise or entrepreneur.

The annulment of state registration shall be effected within seven calendar days from the date of the receipt of the court's decision by the registering body.

The registering body shall, within a three-day period from the date of annulment of the state registration on the basis of a court decision, send written notification of this fact to the enterprise or entrepreneur.

15. Information concerning state registration (or annulment of state registration) of an enterprise or entrepreneur shall, within a week's time, be submitted by the body which effected the registration to the tax inspectorate for inclusion in the state register.

Information on entering enterprises in the state register (or removing them from the state register) shall be published in accordance with established procedures.

Bodies which effect state registration of enterprises (entrepreneurs) shall, within the working day established for them, make accessible to public scrutiny the data of the state registry of enterprises.

16. A refusal of state registration of enterprises or entrepreneurs, or evasion of such registration, also failure to make the data of the state registry of enterprises available for inspection, may be appealed in court (arbitration court).

Duma Finance Chairman Explains Opposition to Tax Changes

944F1017A Moscow NEZAVISIMAYA GAZETA
in Russian 13 Jul 94 p 2

[Article by Aleksandr Pochinok, deputy chairman of the Committee of the State Duma for the Budget, Taxes, Banks, and Finance: "Why Russia's Choice Voted Against"]

[Text] In July the State Duma took up on the first reading drafts of the Law of the Russian Federation [RF] "On Amendments and Supplements to the RF Law on the Personal Income Tax," submitted by the government and the Committee of the State Duma for the Budget, Taxes, Banks, and Finance. The committee's version was adopted. The Russia's Choice faction voted against. What happened in the chamber? What was the focus of the battles?

It was clear from the very beginning that the main fight would develop over the crucial issues, above all the rates of the tax. Not allowing even the thought that there could be even a negligible increase in the tax on individuals, the faction presented its version of the bill, but not only was it not taken up, no member of the faction was even allowed to speak in its defense.

The version of the tax scale that was adopted has a minimum rate of 12 percent applied to annual earnings of 7 million rubles [R], not the 10 million proposed by Russia's Choice. Annual earnings of R7 million represent monthly earnings of R580,000. That amount is earned

even now by many miners, oil field workers, and steelworkers. After all, no one has halted inflation. Both prices and wages will rise once or twice before the year is out, and the rate of tax paid on such wages will not be 12 percent, but 29 percent.

New intervals have been introduced in the tax table for the first time in Russia—40 percent and 50 percent. While this high tax will be paid by few, because of inflation an ever larger number of Russia's inhabitants will soon be familiar with the new high taxes. The proposals of Russia's Choice, which stop at a maximum rate of 30 percent, were not even taken under consideration. In the second half of the year the income tax will be collected at a rate of 12.4 percent, instead of 8.8 percent, as it was in the first half; that is, the real growth of taxes is 40 percent.

It is believed that the tax will hit the rich. On the contrary, they will not even notice it. Try to find out what an exceedingly successful banker or businessman is earning. Very often this is R100,000 or R200,000 per month. Why more? High taxes have to be paid out of high earnings, deductions have to be made to pension and insurance funds. That is why on paper people receive small earnings, paying themselves the rest through firms abroad, bank credits, insurance contracts—any number of ways!

And then there are Kasparov and Karpov, hockey players and tennis players, who still have not given up our passports, who will have to pay. Of course, they have large earnings. But they are earning them with immense effort and long years of training. And their expenditures to keep in shape are in line with their income. Just imagine that our hockey player returns to Russia after earning \$300,000 a year, and the tax authorities order him to pay tax at a rate of 50 percent. What will his reaction be?

Another scenario is also possible: Suppose you sell your apartment or exchange a privatized apartment for one that has not been privatized. This means that in this year you have received an income running into tens of millions of rubles, reckoned in our housing prices. The government proposes that only 10 million of that money be tax-exempt, while on the rest you would pay the tax in the full amount.

But that is not all: The government is proposing to go even further and tax all material assistance, gifts, and prizes obtained from enterprises and organizations. Just imagine the person who has just celebrated an anniversary and as soon as his gift is received, he must sign up to pay the tax. And if the organization has decided to help its long-standing employee and buy him a travel voucher, the tax could exceed his earnings or pension.

There is a proposal to adopt a 10-percent tax on bank deposits. The tax collected would be used to compensate those who had balances in their accounts as of 1 January 1992, that is, the proposal calls for the public to pay compensation to itself. Given the sharp drop in the bank rate of interest and the continuing rise of prices, we consider such a proposal intolerable. Quite recently, Sberbank reduced its interest on time deposits to 12 percent and immediately lowered it to 9, and it is likely that there will be

another reduction. On current accounts, commercial banks and Sberbank are paying 1-3 percent, which is clearly less than the rise of prices. And to introduce a new tax under those conditions?! This correction by the government did not pass on the first try, but there will be a second try.

It is embarrassing to talk about the benefits of defenders of the homeland; they earned them. But when previously benefits of Heroes of the Soviet Union, Heroes of Russia, war veterans, disabled persons, and victims of Chernobyl were the same, now the heroes and disabled persons get one-sixth of what the Chernobyl victims get. Is that fair?

Russia's Choice categorically opposes any changes in tax legislation that would worsen people's situation, and it will do everything possible to keep such amendments from ever becoming part of the text of the law on the personal income tax that is in effect.

Parliament Probes Current State of Communications System

944F1019B Moscow NEZAVISIMAYA GAZETA
in Russian 13 Jul 94 p 6

[Article by Andrey Bayduzhiy: "Russian Communications Workers Will Be Given a Law"]

[Text] It seems that Russian communications workers will soon finally have their own law. Up to now, the operation of communications enterprises has been regulated only by their charters, and since 1992 by the Russian president's decree and the "Temporary Regulation on Communications in the Russian Federation [RF]." The drafting of the first domestic legislative enactment in the communications field began back in 1990, and on the last day of June of this year they debated in the parliament center the final draft of the Federal Law of the Russian Federation on Communications. Incidentally, today such laws are already in effect in 140 countries of the world.

As Vladimir Bulgak, Russian communications minister declared in the press conference devoted to the parliamentary hearings, the activity of his ministry has even now been restructured in keeping with the new law. Previously a body to manage communications, the ministry has become a regulatory body. Having passed down to the local level the economic powers previously assigned to it, the Ministry of Communications is reserving for itself only the tasks of setting standards, monitoring, issuing licenses, and certification. As a result of this restructuring of its activity, there has been an appreciable reduction in the size of the ministry's staff: from 1,200 to 400.

Significant changes have occurred not only in the center, but also at the local level. This applies above all to changes in the form of ownership: Communications enterprises have been privatized and turned into joint-stock companies in 80 of the 86 oblasts, and they will be completed in the rest this year. Only facilities of republic importance have remained federal property; for example, all the enterprises of the radio and television complex. In the opinion of Mr. Bulgak, it is also important that the different forms of communications have been structurally divided. For instance, the post office

has been made entirely separate from electronic communications in its organization and finances.

Along with privatization and the formation of joint-stock companies, this has made it possible to bring into the industry a rather sizable flow of investments, and this year their volume in the development of communications has already doubled the level of last year. International telephone service is developing with particular dynamism. Whereas two years ago Russia had only 1,000 international channels, now that the Copenhagen-Kingisepp-Moscow line has been put into service their number has increased to 17,000, and in one and a half to two years, in the estimates of experts, it will increase to 40,000. As for domestic communications, Russia today is lagging perceptibly behind most advanced countries in the extent of its telephone service. According to the statistical figures, only 17 million Russian families have telephones, while 64 million families are without them.

But even here, they believe at the Ministry of Communications, considerable progress will be achieved in the very near future. Over the next five to seven years the volume of communications within the country is to be doubled. In this connection, more hope is placed in the ministry on the method of so-called "people's telephones," which has been tested abroad and has already been introduced in a number of Russia's oblasts. The essence is that in regions without telephone service a group of individuals living alongside one another organize the collection of funds that are like a loan, and then the communications enterprise quickly runs the line there for that money.

Until this method becomes widespread, public telephones remain the only telephones accessible to a considerable portion of the Russian population. In 54 oblasts of Russia they can be used free. But in spite of this, telephone vandalism is continuing unabated. Telephone receivers have to be replaced approximately seven times a year on the 200,000 public telephones installed in the country, and they disappear without a trace from 5 percent of the telephones every year. Moreover, the maximum administrative penalty for damaging public telephones is so far only...a R50 fine.

The financial position of most telephone companies is today rather stable. We can judge this not only from figures of the Communications Ministry, but also from the indicators of the stock market. For example, the R10 shares of stock of the Petersburg Telephone Center are selling at \$6-7, and the R12 stock of the joint-stock company Rostelekom at \$4-5. The situation is not so good with postal service, which is probably true not only in Russia but throughout the world. In 1993 the 46,000 communications departments employing 380 postal workers earned R300 billion, and R16 billion were received from the state budget. That money was enough only to cover current expenses, and last year the post office actually did not develop: They did not purchase a single new mail car or truck. Under those conditions, untraditional methods of attracting funds have to be sought, and in 1993 postal personnel earned R12 billion solely from the sale of stock of various funds.

Aeroflot Safety Under New Leadership Questioned

944F1019A Moscow NEZAVISIMAYA GAZETA
in Russian 13 Jul 94 p 6

[Letter to the editor by Ivan Smolyanin: "We Will Fly Regardless of the Management": A Cry From the Soul of a Civil Aviation Officer"]

[Text] I have never written a letter to the editor before. I have decided now to depart from that rule and to express my opinion as a person although this is not altogether what an officer should do.

Recently, the press has begun to pay more attention to the fate of Russian civil aviation. I do not know why, but I assume this has to do with privatization. My elder son is also a pilot, but he works in a different air detachment. So we have something to add to the public discussion.

Any pilot will provide you confirmation: The higher-ups do not by any means take into account all the flight incidents that occur, and the figure of 112 accidents in 1993, which has been roaming from paper to paper, is understated. Incidentally, anyone who reads the press carefully has surely noted where it says that this is the "number of incidents related to the failure of aircraft equipment." After all, there are also human errors and the results of the effect of natural conditions, force majeure. But do you know why our understated figures are comparable to the losses of long-range bombers in wartime? Because of lack of attention to organizing flight operations, to flight support, from the strange and inexplicable bias of the Aeroflot airline on behalf of financial operations, which is not to say—machinations. The International Commercial Administration, which at one time became separate, has begun to "turn over" money without remembering its purpose. But the main task of the commercial departments in all airlines in the world is thought to be the development of the fleet of aircraft, airfield management, and improved and less expensive services to passengers. In short, working out the strategy and guaranteeing the company's victory in the competitive struggle. I am ready to believe that in the Main Economic Administration of the USSR Ministry of Civil Aviation, as has begun to come out, huge amounts of money left "with strings attached" even in the nineties. What is more, my colleagues and I, related in one way or another to Sheremetyevo-2, know of many examples when money left the production and commercial association, where Vladimir Tikhonov, who now heads the airline, was formally the second man, but in actuality the top man. There is no need to mention that practically all the foreign exchange which Aeroflot earned was earned by us pilots, not by the bookkeepers and not by the bureaucrats in the ministry. The latter only disposed of it, and disposed of it stupidly, finally making a mess of the airline, selling positions to Western competitors both on international lines and even within the country.

Everyone knows that bureaucrats are predisposed to thievery, but an intelligent schemer does not slaughter the goose that lays the golden egg, and for a long time Aeroflot not only flew, it was the feeding trough for the Central

Committee, the Council of Ministers, and in general for all the personnel of one-sixth of the earth's surface. There was enough money both for operations and for the bureaucrats to steal, but in recent years there has been enough only for the latter.

There has not been enough money even to keep equipment in operating condition, or to create normal working conditions for those on whom the lives of thousands of passengers depend. As a matter of fact, not just passengers of Aeroflot, but all those that enter our airspace on any plane of any airline—a fact that is usually concealed by the international fraternity of airline officials. Bad runways, neglect of the rest of airport maintenance (lighting, navigation equipment, various utility connections), unreliable and uneconomical engines, old planes, disgusting servicing—all of this could be corrected rather quickly, but the money was committed to various frivolous projects—from the notorious Olivetti Hotel to the constant runs of our planes to Shannon to have their interior done over (although our people in Sheremetyevo do the same work for other airlines more cheaply and quickly and at the same standard of quality). I can even say that if it were not for the neglect in the money affairs of our airline that someone specifically created, many of those passengers who died in 1993 and early 1994 would be alive. It only seems that no one is to blame for these and many other deaths. As a matter of fact, the list of those responsible is short, and hardly exceeds a dozen names. But not ours!

Discipline is discipline, we will fly under any management, once it has been appointed. But bear in mind—from now on both we and you are risking far more.

Shareholders' Conference Views Ways To Open Stock Market

044F1009B Moscow: SEGODNYA in Russian 14 Jul 94 p 3

[Article by Leonid Mikhaylov: "The Russian Stock Market Should Become Open"]

[Text] In Naples Boris Yeltsin assured the leaders of the G-7 that the "Russian bear" would not seek full-fledged participation in the elite club of the most developed countries throughout the world "as long as the state of the Russian economy objectively does not permit this." Meanwhile, Boris Yeltsin did not determine how long Russia, owing to objective circumstances, would be in the "dressing room." The experience of East Asian "tigers" shows that volumes of private capital investments from abroad, which, in turn, depend on the degree of attractiveness of the national stock market, serve as the most reliable indicator of economic normalization in one country or another. The amounts of foreign investments in the Russian economy do not as yet inspire optimism.

Simultaneously with the Naples Summit an all-Russian conference on shareholders' rights was held in Moscow. At it managers of investment funds tried to formulate the principles of the domestic securities market's functioning. According to an evaluation by Nikolay Denisenko, representative of the administration of the RF Government,

who spoke at the conference, in order that Russia might come closer to being among world leaders, the amounts of financial injections into production must total approximately 1 trillion dollars annually during 10 years. With all its well-meaning attitude toward Russian reforms the world community is hardly capable of mobilizing even one-tenth of this amount. For comparison: The annual turnover of the world market of capital investments is estimated at 126 billion dollars. In Mr Denisenko's opinion, investment sources can be found by mobilizing internal resources. However, as the discussions at the conference have shown, the main problem now lies not so much in the search for investment sources as in the formation of a market of nonstate securities as a mechanism of distribution of capital investments.

Having agreed with the fact that the share of private capital investments in the total structure of production investments will predominate, Mr Denisenko proposed that investment resources be mobilized in the direction of "islets of technological growth," which the priority development programs developed by the government should become. However, another concept prevailed at the conference, according to which private entrepreneurs, not the state, should establish "technological islets."

Out of the entire diversity of existing forms of stock market regulation participants in the conference singled out two polar models: the American and the Japanese. The first is characterized by a high degree of freedom of actions by investment companies and the second, by tough state regulation. Accordingly, the cost price during the conclusion of transactions on the New York Stock Exchange is one-fourth of that on the Tokyo Stock Exchange. Apart from everything else, the American model enables the stock exchange to instantly react to a change in economic conditions and to direct investment flows into promising production areas. The advantages of the American model are confirmed by the large-scale aggression of Japanese capital on the U.S. stock market.

The closed nature of the Russian Stock Market and the lack of the information necessary for an objective evaluation of stock quotations, not so much the lack of legislative guarantees, serve as a hindrance to an increase in the investment attractiveness of most Russian enterprises. The information blockade became the consequence of the fight by enterprise administrations for the controlling block at the stage of voucher privatization. Under these conditions investors became hostages of issuers. Now, when the period of initial capital distribution has been completed basically, a serious competition for the attraction of private capital investments is beginning among enterprises. According to forecasts by the RF State Committee on the Administration of State Property, 650 enterprises, as a minimum, are already prepared for a secondary issue of shares.

The participants in the conference have decided that the liberation of the stock market activates private investors inside Russia, whose potential is estimated at 2 or 3 billion dollars per month. In the opinion of Dmitriy Vasilyev, deputy chairman of the Commission on Securities under

the RF President, instead of privatization vouchers, municipal loans and housing certificates, in addition to shares of secondary issues, will determine stock market conditions.

Despite the situation in foreign investments, which, on the whole, is unfavorable, according to Mr. Vasilyev, the large-scale privatization carried out in 2 years already yields its fruits. During the first half a year of 1994 the inflow of foreign investments in the form of the purchase of blocks of shares of privatized enterprises totaled 1 billion dollars. Owing to this, the market value of shares of some companies, for example, Yuganskneftegaz, increased five- to sixfold in dollar terms. Nevertheless, the attention of foreign investors was drawn to no more than 10 enterprises, mainly from the fuel and energy complex.

As Mr. Vasilyev noted, the Russian Stock Market now stands on the threshold of choosing the priority model: either tough state control, or the establishment of self-regulating "shop" structures by participants in the stock market with the right to issue or to revoke licenses. Aleksandr Volgin, chairman of the Moscow Public Committee on Shareholders' Rights, believes that the realization of the first variant will lead to the fact that 10 to 12 financial institutions, "whom state officials trust," will share the Russian Stock Market, which, ultimately, will lead to the establishment of an analog of the USSR Savings Bank.

The Commission on Securities, which advocates the liberal model, is now developing general standards of the stock market's functioning. However, the commission has not been given administrative powers and its developments are in the nature of recommendations.

Draft Law on Advertising Critiqued

944F10094 Moscow OBSHCILAYA GAZETA
in Russian No 28, 15 Jul 94 p 14

[Article by Anna Politkovskaya. ITAR-TASS: "Who Gets the Upper Hand: Advertising or We?"]

[Text] It seems that relations between advertising and the people have reached a peak. There is a multitude of mutual complaints and the atmosphere portends a forthcoming storm: Patience is running out. The people sense that advertising is not such a blessing as it seemed and, deceived by promises for quick and easy wealth, they grumble.

In the meantime advertising, as a type of full-fledged business, firmly stands on its own feet. Advertisers have become rich people, have felt the real advantage of their business, and will not part with it now without a fight, which is logical.

As is well known, the advertising chain has only three links: the advertiser, the advertising agency, and the media. At whom should one strike in order to relieve the tension?... Judging by everything, the media and, in particular, newspapers will have to be responsible for the advertising bills.

At this moment several alternative draft laws on advertising are in the State Duma.

With all the fundamental differences and the mass of mutually exclusive details there is something uniting them. All the drafters and, above all, those that stand behind them and finance their activity intend to get their revenge on the media. Even the Association of Russia's Advertising Agencies (Igor Pisarskiy, president), this colossus of advertising production (the association established a year ago includes Russia's 22 large advertising agencies; they control 65 to 70 percent of the country's entire advertising market), financed one of the draft laws on advertising.

One might wonder what quarrel they have with the media. After all, without the press advertising, if it does not die, will be strangled very seriously. But they have their own interest...

The association is worried primarily about who will be responsible for false advertising and who will take the blame for it. The advertiser? However, this is an unnecessary headache in his search. The middleman? But this is what it itself is... And then, having studied, as it states, the situation in a number of Western countries, the association reached the following conclusion: Newspapers should be responsible for false and unscrupulous advertising. So-called verification departments should be established precisely there, not in advertising agencies—why the unnecessary expenses? In these departments there would be people obliged to check the content of every advertisement received from agencies (according to the draft, it is the duty of newspapers to work only through advertising agencies); correspondence of the requisite elements to reality or, for example, whether a firm seeking a spot in the advertising section pays taxes.

If, nevertheless, you overlooked and published something that public opinion (that is, the official) disliked greatly, an inglorious end awaits you. Several ways were devised: Either the subscription is canceled, or a campaign is waged in other media, which explains to readers that they should not buy "that" newspaper. Of course, this is gibberish. However, the very fact of the occurrence of such ideas is more than eloquent.

Other drafts demand the same from the press—they differ only in form and detail. For example, the Antimonopoly Committee, strictly a state department, which on instructions from the government worked on the draft law for several months, put approximately the same ideas in it. Explanation: an attempt to protect the interests of the advertisement consumer (not the profit of its business).

In a situation where the overwhelming majority of newspapers chase after advertising, not vice versa, their often disastrous financial position does not enable them to be too discriminating in the "benefactors'" requisite elements. If drafts with such articles pass through the State Duma, expect the ruin of a considerable number of the media, because where can enough representatives of exclusively honest entrepreneurship, moreover, not afraid to widely publish its data, be found in our state today?

However, why do our media, which are the object of an attempt to select them as a sacrificial lamb, do nothing to

protect themselves against such a powerful yoke? Alas, newspapers again are not in the mood for this. All the attempts to unite the press around someone or something according to the corporative principle, which are made from time to time, encounter strong internal resistance of shop members. Everyone wants to bear his burdens himself. And he does not want to share the secret of survival with his neighbor.

Whereas the first swallows have already arrived. To ardent applause by deputies the State Duma adopted the law "On Coverage of the Activity of Bodies of State Power in the State Media," taking presidential amendments into consideration. This time the head of the state almost completely expressed his solidarity with deputies. Together they have decided that precisely now, when the country, in fact, is entering a new preelection campaign, any journalistic comment on the actions of the Duma, of the Council of the Federation, and of the president with the government is prohibited. This is only one of many points of the law.

The press swallowed all this and did not choke, being more engaged in a search for "roofs" for itself, of which, as is well known, there are only two: bodies of state power (according to sociological surveys, most of the media count on them) and large commercial structures (the same advertising).

How ridiculous and naive today seem all the past romantic talks about the independence of the press, which will come with the fall of socialism. The sum of laws, which have already been adopted in the state and which are about to be adopted, shows: The media are quietly being surrounded from all sides, like a bear in hunting. And what does the bear do? He sleeps...

RF Central Bank Decreases Cost of Credits

944F0894A Moscow SEGODNYA in Russian 30 Jun 94 p 2

[Article by Andrey Grigoryev: "The Central Bank Is Persuading Banks To Lower the Cost of Credit; Soon the Refinance Rate Will Drop to 140 Percent"]

[Text] Today the Central Bank is supposed to hold another auction of centralized credits. The Central Bank has been using this competitive form for the distribution of refinance credits since the beginning of the year, and this is already the fifth of these auctions. In addition to accomplishing the immediate task of distributing the credits, the auctions provide an opportunity to assess rates in the interbank market. According to the announcement of the Government and the Central Bank on economic policy, the value of these credits cannot fall below the refinance rate, but the initial auction rate since April was set 5 percent below that rate at first and then at 10 percent below. These steps were completely justified when interest rates were dropping in the interbank market. It is as if the Central Bank was checking the market's reaction to new refinance rates.

Just recently the Central Bank lowered the cost of centralized credits to 170 percent per annum. The minimum rate at today's auction, however, is 140 percent. This radical move seems to have been made in pursuit of interests other than the hope of bringing the refinance rate into line with

the market interest rate, especially now that the rate for three-month credits in the Moscow credit market is around 155-160 percent per annum, and in other areas it is even higher—from 170 to 180 percent.

Now the mechanism for the state crediting of enterprises has taken a more or less civilized form. The Government Credit Commission extends credit, within the limits of amounts agreed upon with the Central Bank, to enterprises if their development, or at least their continued existence, is necessary from the standpoint of the priorities of government economic policy (or other priorities, of importance to certain members of the government). The initial cost of these credits is equal to the refinance rate (plus 3 percent—the margin of the bank handling the credit operation). If the interest rate is too high for the project requiring financing, the government can lower the cost of the credit and cover the difference in interest rates with budget funds.

The government's strong preference for the direct budget financing of necessary enterprises is a different matter. The Central Bank has to extend credit to cover the budget deficit at 10 percent per annum, and no one is compensating the bank for the difference in rates. If this were the case, the deficit would reach outrageous proportions. This is why the government has had to use both methods of financial support. Obviously, if refinance rates rise to 200 percent per annum or more, subsidies to cover the difference will be more expensive than the direct budget financing of an enterprise.

Meanwhile, the extension of state credits is becoming an increasingly acute problem. The "architects of reform," headed by Mr. Chernomyrdin, are obsessed with the idea of industrial revitalization, investment programs, and so forth. The main obstacle, however, is obvious to everyone—the high cost of credit. People with a limited view of the issue are trying to "break down the door." A few days ago First Vice Premier Oleg Soskovets made the firm promise that there would be preferential credits for the agricultural sector, forgetting that the government had prohibited preferential crediting. The existence of minimal reasoning capacity and respect for the law, however, are of considerable help in the search for a completely civilized method of augmenting the government's investment potential. The Central Bank has found a method—the radical reduction of the cost of credit—and is promoting it vigorously. It may be doing this too vigorously.

Privatization Voucher Inventor on Success of System

944F0894B Moscow NOVAYA YEZHEDNEVNAYA GAZETA in Russian 5 Jul 94 p 4

[Interview with Petr Filippov, head of Socioeconomic Research Center of Comptroller's Office in RF Presidential Administration, by Olga Proskurnina: "The Man Who Invented the Voucher"]

[Text] Petr Filippov, the head of the Socioeconomic Research Center of the Office of the Comptroller of the RF presidential administration, also headed the group responsible for drawing up the plans for privatization by check in 1990. In fact, he is

the inventor of the voucher. In this conversation with an NOVAYA YEZHEDNEVNAYA GAZETA correspondent, he assesses the successes and failures of his brainchild.

[Proskurnina] What do you think of the Moscow Government's decision to extend privatization by check for the residents of the capital to 1 January 1995?

[Filippov] This is the Moscow Government's problem. Many of the securities issued by the state have an expiration date. You cannot turn in a lottery ticket (even if you have won a car) a year after the winning number has been announced. The voucher also has an expiration date. The check was issued by the Russian Government, and it is liable for its ultimate use. Frankly, I do not understand what Luzhkov plans to do about the certificates that are not accepted for payment.

I believe that if there are Moscow laws (or Ryazan, Astrakhan, and other laws) in Russia, it will cease to be a unified state. That is why authorized departures from Russian laws in one region or another pose a serious threat to the continued integrity of the country, regardless of the agency granting this indulgence.

[Proskurnina] Was privatization by voucher completely justified and necessary?

[Filippov] I think there was no other way of denationalizing industry in 1990. In contrast to East Germany, where privatization was conducted with the active participation of capital from the FRG after reunification, Russia had no strong financial entities. Our rich fellow-citizens were few in number at that time, and Western investors were in no rush to come here. The line of reasoning of the drafters of our privatization laws was simple: If the populace has no money to pay for stock, it has to be offered credit—but not in the form of real money, which probably would have been spent on the daily necessities of life. Besides this, the credit had to be nonrefundable. Otherwise, the future property owners would be in debt to the same monster-state. That is how the voucher came into being.

[Proskurnina] But the original plan was to use a system of privatization accounts, essentially representing a savings passbook.

[Filippov] The drafters of the state privatization program did support the idea of non-cash settlements in the privatization process (like the system in the Czech Republic) in the absence of a securities market and in view of the instability of stock quotations for the enterprises slated for privatization, but everything pointed to the technical impossibility of carrying out this plan. Operations of this kind by 150 million citizens could have turned the non-payment crisis, which already existed at that time, into a paralysis of the whole banking system in the country. Furthermore, we could not afford to set up a computerized system in savings banks to keep track of all of the privatization payments.

[Proskurnina] How would you rate the work you did four years ago? Did the fabled "genuine property owner" come into being in Russia?

[Filippov] Yes and no. We did end up with some people who accumulated some financial strength and wanted to augment it by renovating the enterprises they owned. Eventually, the augmentation of their capital should have a positive effect on the standard of living of the whole population. The problem is that our industry is still highly monopolized and our small and medium business sector is still underdeveloped. The percentage of privatized stores and vehicle repair shops in the Russian economy is much lower than the figures in the Baltic states. It is true that this is largely due to the inability of small and medium enterprises to withstand the pressure of organized crime—that is, to maintain an army of guards and oppose the extortion of the Mafia bosses. In addition to all of this, the mentality of the administrators of former state enterprises rarely undergoes striking changes. I know the director of one of the privatized defense plants. He has the controlling block of stock in the joint-stock company, but he is nevertheless demanding larger subsidies and the restoration of state orders. In other words, he is a capitalist by name and a communist-militarist by nature.

[Proskurnina] Is this really evidence of the need to move on to the stage of privatization for money?

[Filippov] The main thing is that investment activity in 1994 has been highly intense. I have no illusions about the rates of post-check privatization. They are certain to be lower than before. This is corroborated by the polls taken in the securities and capital goods markets. Sooner or later, however, the number of state enterprises, which are still a heavy burden for the taxpayer, will be reduced to a reasonable minimum.

Mining Workers' Struggle Detailed

944F0960A Moscow IZVESTIYA in Russian
12 Jul 94 p 4

[Article by V. Kostyukovskiy: "Will It Be Possible to Bury the Labor Movement?"]

[Text] The Second Congress of the International Association of Independent Trade Unions of Miners took place at Mezhdurechensk, the site of the miners strike of five years ago, which shook the foundations of the USSR. It was attended by delegations from Russia, Ukraine, Belarus, and Kazakhstan. Aleksandr Sergeyev, chairman of the NPG [Independent Trade Union of Russian Miners], was elected president of the association.

The series of events that took place during the last ten days of July 1989 marked the start of the biggest and longest strike by workers since the Kronstadt events of 1921 in a country that called itself proletarian.

The Government Official Remains Boss in the Mines

Do not believe those who say that it started "with sausage." The miners' facilities really did lack many food items. But what was most irritating was the absence of detergents: The miners had nothing to wash with after their shift, and their wives could not do the laundry.

As early as 11 July, when M. Shchadov, the USSR minister of the coal industry, urgently arrived in town and as usual attempted "to take the situation in hand" by allocating, distributing, and promising, a completely different mood developed among the strikers, which was very unpleasant for the minister. The principal demand was formulated by a man from the Tomskaya Mine who was virtually unknown at that time:

"All right, Mikhail Ivanovich," he told the minister, "we know what we want from you. Give us just one thing—the right to manage ourselves, and we will resolve all of our problems."

Now many know him. He is Aleksandr Sergeyev, chairman of the Independent Trade Union of Russian Miners.

They got it. The mines and pits, which formerly did not even have their own bank accounts and were in the position of subdivisions of coal associations, acquired their independence, and some of them were later even auctioned. But the coal industry of Russia as a whole continued to be supported by the state. Delayed subsidies, nonpayment by consumers, rise in railroad tariffs—all that led to independence only in name. The extraction of coal declined, exports became more expensive. The new owners—the joint-stock companies, including the Raspad-skaya Mine, one of the largest mines in the world—humbly took their stock to the government.

The government official is getting his revenge. He is once again at the helm, he is distributing and allocating. There is talk in the mines about a secret edict issued by Yu. Malyshev, head of Rosugol, to issue subsidies only in exchange for shares of stock. "Freedom is expensive," the romantics reply. But for the directors and even miners to earn money, it is necessary to have money. In accordance with the laws of an unprofitable branch.

We have gone a full circle, or in the language of the miners: What we fought for is what we encountered.

"If one is to speak just about the miners, their life has changed only in the sense in which it has changed in the country as a whole," Aleksandr Aspanidi, a deputy of the Federation Council and one of the leaders of that strike and the workers movement, observed. "But we struggled not just for ourselves. Recognizing the situation, we defended, and in many regards, I believe, succeeded in saving democratization and market reforms. At present, however, a setback has occurred, but we still managed to grab hold of many 'hooks': Private property has become a reality in Russia, and that is most important."

No One Is Able To Override the Labor Movement

All demands of the regional strike committee were within the scope of a process that was called perestroika. That is not surprising. Most of the strike leaders were CPSU [Communist Party of the Soviet Union] members and shared the aspirations of the general secretary for the reformation of the party. If Gorbachev, summoning his

courage, dropped everything, travelled to striking Kuzbass, and told the miners.... Anyway, that would not have been Gorbachev.

The labor movement alone cannot be given all of the credit for the disintegration of CPSU—it merely played the role of a catalyst in a natural process. Since that time many parties and political groupings have attempted to saddle the miners, to assimilate their movement. The *dezsovtsy* and *pamyatniki* were agitating—the former were chased off the rostrum while the latter were driven out of town. Nikolay Travkin and Oleg Rumyantsev, the Democratic Russia folks and activists of the socialist trade union, attended the conferences and meetings. The movement did not join any of the parties and not one of the trade union associations, but created its own Independent Trade Union of Miners. Concrete work on the protection of the rights and interests of the miners shifted to it.

In the NPG this work is understood not quite as it is in the State Trade Union of Coal Miners. Let us say both are for full employment in mining towns and settlements. The NPG, however, does not hide the fact that full employment must not be achieved at any price. The most unprofitable mines will be closed anyway, and in addition to that, it is necessary to be prepared to close them in a civilized manner, and not as they did away with the Kalmer-Yu mine in Vorkuta. People have to be retrained, and so on. This position is highly vulnerable as compared with the one held by the state trade union, and it brings the accusation of strike breaking and betrayal of interests. But it is necessary to admit that it is an honest and a realistic position. The NPG is not about to abandon it. It is working on programs to ensure employment under conditions created by the structural reorganization of the branch, with the aid of analytical groups (analysts frequently work free of charge, merely on enthusiasm) and experienced independent trade unions in other coal mining countries.

"We are accused of politization," Vyacheslav Golikov, chairman of the Council of Worker Committees of Kuzbass, observed. "But we are not concealing it from the pro-communist state trade unions presently unified in the FITUR [Federation of Independent Trade Unions of Russia]. Do you recall their invocations: 'Trade unions are beyond politics.' At the same time, their action at all stages played into the hands of anti-reform activists. That is a fact. Presently they seem to be removing their masks: The oblast trade union federation provided a roof for Leonid Sergachev, a well-known politician in Kuzbass, who having lost a bid for the Duma, together with the state trade unions is attempting to create a labor party based on the ideas, as he himself puts it, of "dissenting Marxists." They are opposed to private ownership and favor collective ownership, and Sergachev, nodding approvingly at some Western countries, has commented on what great achievements were made by the workers with the collective system. At the same time he is "forgetting" that their collective property is voluntarily amalgamated private

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property. I think it is highly unlikely that he will be able to deceive many. Most of the miners have assimilated such a basic political education well in five years. Basically, Sergachev should have just signed up with Zyuganov instead of creating a new party.

"Is there a possibility of the labor movement transforming into a political party?

"Such attempts have been made, particularly in Vorkuta. We told them: What kind of a party is it going to be—a coal party? Recently we were subjected to propaganda by the Democratic Choice of Russia and at the council we decided to support them. But this does not mean that the labor movement does not support the RDDR [Russian Movement for Democratic Reforms] or other parties and movements with a truly democratic orientation, as well as reform forces and groups. Any collective membership is out of the question. The choice of a party to join is a matter for each individual, and the labor movement remains on its own.

After That Strike, We Acquired Greater Freedom

At that time, many of the activists were elected to party committees, and trade union committees and became deputies of local soviets. Many predicted a quick end for the labor movement due to the lack of any need for a parallel power structure. If it were really fighting for power, then it would probably have perished in a clash with far more powerful forces that are highly experienced in such struggles. But the movement had a clearly different role.

With all of the varieties of labor movements in the world, each one is powerful because of one circumstance: Even in peacetime, it is the potential for a strike movement. A kind of Damocles' sword hanging over the heads of the rulers.

The movement leaders attempted to use it in January 1991, following the Vilnius events, as a protest against the use of armed force in the resolution of political problems. At that time, however, most of the miners, while supporting the political demands, refused to go on strike, inasmuch as in the winter it is most destructive to the economy. Opponents of the movement were rubbing their hands with joy: The leaders have detached themselves from the masses, have become carried away with politics, while the ordinary worker has no interest in such matters. In March, however, a grandiose strike of a political nature demanded the resignation of President Gorbachev, and the strike was initiated not so much by the leaders as by collectives of miners. But even in that strike as well, the role of the movement was invaluable.

That role, being invaluable, although also highly peculiar, was in the past and still is one of preventing strikes. Today's slogan of the movement may be formulated as follows: economic Reform is the most effective social policy if one has in mind not only oneself, but also our children. Again there were accusations of strikebreaking. For the sake of fairness, it is necessary to say that these

accusations are made not so much by miners as by members of the State Trade Union and revenge-seeking communist ideologues.

At present the movement is again being buried, as usual, in discussions of its crisis. It is true, there is a crisis. Any labor movement by nature is in opposition to authority and the work provider. At certain times they can coexist peacefully, and it is specifically such periods that constitute a crisis for the movement, since in the course of them it appears to be dormant, springing to life with the appearance of a conflict.

It appears that such a period is again approaching. A congress of the Independent Trade Union of Russian Miners is gathering at Mezhdurechensk, and it will include the participation of similar trade unions from some other CIS countries. In addition to that, the movement activists intend to observe the fifth anniversary at their rally on the site, in Mezhdurechensk, where the events first began unfolding. There will undoubtedly be talk about the retreat of the country from market and democratic reforms, and about the growing power of the nomenklatura and the state official in Russia and other countries of the former USSR.

Aleksandr Aspanidi states: "What seems to me to be of paramount importance is that after the strike we lost our fear. We learned to say what we think and do what we consider to be right. That was the first strike of the Soviet period that they did not dare suppress by force. After that, the country acquired more freedom—this is its main significance.

Country's Mineral Wealth Highlighted

944E1060A Moscow *RABOCHAYA TRIBUNA*
in Russian 15 Jul 94 p 4

[Article by Yuriy Malyshev, president of the Academy of Mining Sciences, corresponding member of the Russian Academy of Sciences: "God Will Not Order Reserve Mineral Wealth for Us"]

[Text] As we have already reported, the general meeting of the Academy of Mining Sciences was held. Yu. Malyshev, its president, made the report "On the Scientific-Technical and Organizational Activity of the Academy of Mining Sciences." He noted that, according to the Charter of the Academy of Mining Sciences approved by the RF Ministry of Justice, the Academy of Mining Sciences is an interregional and intersectorial association. Assistance in the development of scientific and technical work in the field of exploitation of mineral deposits, construction of mining enterprises, rise in the level of scientific research in the field of mining sciences, and ensuring of scientific and technical progress and production efficiency are its main goals. Four regional departments of the Academy of Mining Sciences have already been formed and six more are being established. Sections have begun to operate. Proposals for lending the status of a federal mining center to the Academy of Mining Sciences and for the establishment of the International Mining Academy were expressed at the general meeting. Competitive elections to the Academy of Mining

Sciences will be held in 1994. Information on this will be published in RABOCHAYA TRIBUNA.

Russia's mineral wealth and mineral and raw material complex are important for its geopolitical significance and serve as a reliable basis for the stabilization of the economy and rise in the living standard of our society. Up to 17 percent of the entire volume of petroleum, 23 to 30 percent, of gas, 14 percent, of commodity iron ore, 10 to 20 percent, of nonferrous rare and noble metals, and 6 percent, of coal mined by the world community are extracted in the country.

As before, our country is capable of meeting its long-term internal needs for most key types of minerals.

Russia's share in reserves prospected in the territory of the former USSR makes up the following: petroleum and gas—87 percent; coal—70; iron ores—60; bauxites—85; copper—53; nickel, tin, vanadium, platinoids, diamonds, and mica—90 to 100; phosphates—50.

The changes occurring in the country have given rise to serious problems in meeting the need for mineral raw materials. This is expressed primarily in the decline in the volumes of mining production. For example, in commodity iron ore the annual decline in production makes up 10 to 15 percent. As compared with 1990, the output of petroleum, coal, copper, silver, and platinoid decreased by 20 to 30 percent, of gold and diamonds, by 15 percent, and of lead and zinc, by 36 percent. The production of the apatite concentrate decreased to more than one-half as compared with 1990.

In our country now manganese and sulfur ores are hardly extracted and the extraction of chromites and mercury-antimony and copper ores is carried out in an insufficient quantity.

The problem of stopping the decline in mining production is aggravated by the accelerated reduction in the technical level of many mining enterprises, collapse of the intellectual and material potential of mining science, pressure of market conditions on the economic situation of most sectors of the mining industry, and a number of other circumstances.

Under these conditions the Academy of Mining Sciences is called upon to assume the functions and responsibilities of an organizer and an intellectual and scientific center ensuring the solution of key intersectorial scientific and technical problems of strengthening the country's mineral and raw material complex, increasing the potential of mining production, stabilizing the work of mining enterprises, strengthening their position on the market of mineral and raw material products, and ensuring ecological safety in the development of mineral wealth.

The concept of the scientific activity of the Academy of Mining Sciences proceeds from the fact that Russia's mineral wealth, which is at the stage of development, exploitation, and geological study directly preceding development, is the object of attention of present mining sciences.

Mining sciences are responsible for the transformation of Russia's mineral wealth.

The almost uncontrollable one-sided utilization of mineral wealth from the standpoint of the extraction and recovery of mineral raw materials and their nonoverall utilization, which usually does not presuppose a successive transition from one direction in the utilization of mineral wealth to another—this is the general situation now. Bringing in a rapid and accelerated manner mineral wealth to a state unsuitable for its subsequent utilization in other directions is the consequence.

Mineral wealth is a diverse natural complex. It includes a number of resources (mineral raw materials of various types, states, and origins—natural and technogenic raw materials, the earth's heat, natural and artificial cavities, balneologic resources, that is, mud, water, mine methane of underground salt mining enterprises, and resources of esthetic, cultural, and tourist significance). This determines the possibility of utilizing mineral wealth in various directions in conformity with society's needs for specific resources.

The preservation of mineral wealth in a state suitable at each subsequent stage of development for a new utilization according to the diversity of mineral wealth resources is the aim of mining sciences. In other words, the aim is to preserve mineral wealth through the discovery of new directions in and conditions of its utilization in conformity with society's economic, social, technical, and other capabilities and needs. Mining sciences should put forward the principles, develop the theory, and propose the methods and technologies of managing the transformation of Russia's mineral wealth.

In connection with this the main task of mining sciences lies in the substantiation, establishment, and realization of new technologies of the development of mineral wealth resources, which not only save these resources, taking into consideration the exhaustibility of each of them, but also reproduce new resources in the sense that they should prepare the possibilities for the development of mineral wealth at every subsequent stage in a new direction.

An efficient realization of the ideas of modern mining sciences is possible only under a systems effect on the process of development of mineral wealth on the part of the Academy of Mining Sciences. This presupposes assistance in the solution of problems in all spheres of management of the utilization of Russia's mineral wealth—legislative-legal, organizational, scientific, production, technical-technological, ecological, economic, and information spheres.

Programs at various levels represent the basic form of organization of scientific research, performance of scientific and technical studies, and realization of results. In particular, the following programs are now at different stages of preparation, fulfillment, and realization:

—overall research on the technology of coal extraction and enrichment and of the utilization of the worked out space.

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development of priority directions in the field of enrichment of ores and coal difficult to enrich;

—overall study, industrial evaluation, and forecast of the expected consequences of the development of Russia's promising coal deposits and so forth.

Subsequently, interdisciplinary program research should involve all of Russia's mining sectors.

Poll Lists Russia's Business Elite

944F10281 Moscow NEZAVISIMAYA GAZETA
in Russian 14 Jul 94 pp 1,2

[Article by Aleksandr V. Kinsburskiy, Vox Populi, and Sergey Furanov, Economic News Agency: "Russia's Business Elite: Money and Power: For the Second Time, the Rating of Russia's 50 Leading Entrepreneurs Has Been Determined"]

[Text]

The Poll [Kinsburskiy]

At the request of NEZAVISIMAYA GAZETA, the Service for the Study of Public Opinion, Vox Populi, together with

the Economic News Agency, is continuing to determine quarterly the 50 most influential Russian Businessmen, with a listing of their ranking (from 1st to 50th position) and an average rating which fixes the "importance" of each of them.

In June's preliminary list, in addition to the 50 names of the entrepreneurs recognized as the leading ones based on the results of the April study, another 75 names were included, those of the heads of the leading commercial organizations—banks, exchanges, funds, joint-stock companies, trading houses, insurance companies and joint ventures, which were proposed by the experts themselves.

The measure of the influence of the Russian entrepreneurs was determined by 50 economic commentators of the leading mass media, economic analysts and heads of public organizations and commercial structures. For the evaluation, a 10-point scale was used, where 10 is the maximum evaluation and 1 the minimum evaluation of each of the businessmen, taking into account his contribution to the formation of Russia's new market economy, economic might and the amount of capital under his control. The final list of the 50 leading Russian businessmen in June of 1994 was compiled on the basis of the average rating.

Table 1

Position	Name, FI, MI	Firm Name	Average Rating	
			Second Quarter	First Quarter
1	Vinogradov, V.V.	Incombank [foreign commercial bank]	7.72	(7.34)
2	Gusinskiy, V.A.	Most [Bridge]	7.67	(7.48)
3	Smolenskiy, A.I.	Stolichnyy Bank	7.62	(6.94)
4	Yakovlev, V. Ye.	Kommersant	7.50	(6.92)
5	Khodorkovskiy, M.B.	Menatep	7.49	(6.96)
6	Bovko, O.B.	Olbi	7.35	(6.60)
7	Nevenov, V.I.	Germes [Hermes]	7.21	(6.92)
8	Vyakhirev, R.I.	Gazprom [gas industry]	7.19	(—)
9	Rodionov, S.S.	Imperial Bank	7.11	(—)
10	Kadannikov, V.V.	Avtovaz [Volga Automotive Plants Production Association]	6.89	(6.06)
11	Ledorov, S.N.	Eye Microsurgery	6.85	(6.30)
12	Mavrodi, S.P.	MMM	6.76	(—)
13	Berezovskiy, B.A.	Logovaz	6.70	(—)
14	Nakhmanovich, P.A.	Avtovaz Bank	6.67	(5.30)
15	Mosarskiy, M.V.	Russian Gold	6.62	(5.52)
16-17	Agapov, Yu.V.	Kredobank [credit bank]	6.50	(6.60)
18-19	Malkin, V.V.	Russian Credit	6.50	(5.38)
20	Rappoport, A.N.	Alpha	6.49	(4.98)
21	Bekb, N.I.	Kamaz [Kama Motor Vehicle Plant]	6.45	(6.26)
22	Yakunin, V.K.	Tokobank	6.40	(5.80)
23	Nevzlin, I.V.	Menatep	6.37	(5.58)
24	Kantor, O.Ya.	Yugorskiy Bank	6.34	(4.06)

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Table 1 (Continued)

Position	Name, FI, MI	Firm Name	Average Rating	
			Second Quarter	First Quarter
13	Alekperov, V. Yu.	Lukoil	6.31	(6.3)
24	Bystrov, Ye. I.	Most	6.16	(6.3)
25	Gugnin, V. K.	Orghbank	6.11	(6.36)
26	Fridman, M. M.	Alpha	6.05	(6.3)
27—28	Bukato, V. I.	Mosbiznesbank [Moscow business bank]	5.98	(6.42)
27—28	Yefanov, A. G.	Mikrodin [Microdyne]	5.98	(6.3)
29	Duvanov, G. V.	Asko	5.95	(5.06)
30—31	Poletayev, Yu. V.	Vneshtorgbank [Foreign Trade Bank]	5.90	(6.3)
30—31	Chanov, A. K.	Krosna	5.90	(4.62)
32	Salamandra, V. L.	National Credit	5.88	(4.56)
33	Safaryan, I. A.	Brokinvestservis [broker investment services]	5.85	(3.68)
34	Dubenetskiv, Ya. N.	Promstroybank [Industrial Construction Bank]	5.84	(5.22)
35	Milyukov, Yu. A.	Moscow Commodity Exchange	5.82	(5.32)
36	Surkov, V. Yu.	Menatep	5.81	(3.80)
37	Zakharov, A. V.	Moscow Interbank Currency Exchange	5.79	(5.32)
38	Bendukidze, K. A.	Bioprocess	5.58	(4.80)
39—40	Vlasov, A. F.	Russian Commodity-Raw Materials Exchange	5.56	(4.72)
39—40	Tumanov, V. I.	Tumanov and Co.	5.56	(4.48)
41	Sudakov, V. V.	Moscow International Bank	5.53	(4.38)
42	Korotkov, P. A.	Russian National Commercial Bank	5.49	(4.04)
43—44	Aven, P. O.	Alpha	5.46	(6.3)
43—44	Keselman, M. G.	Germes	5.46	(3.62)
45	Antonov, I. V.	Unikombank	5.45	(4.98)
46	Fetisov, A. A.	First ChIF [private investment fund]	5.40	(3.66)
47—48	Tosunyan, G. A.	Tekhnobank	5.39	(6.12)
47—48	Yashin, O. V.	Sherbank [Savings Bank]	5.39	(6.3)
49	Soldatov, V. V.	All-Russia Exchange Bank	5.36	(4.50)
50	Kivelidi, I. Kh.	Vneshekonmkooperatsiya [foreign economic cooperation]	5.25	(6.62)

In the published list of Russia's 50 leading businessmen, the two main special features, in comparison with the similar listing for the first quarter, represent 26 April of this year. First, at this time, 11 new names were added to this list: R. Vyakhirev (8), S. Rodionov (9), S. Mavrod (12), B. Berezovskiy (13), V. Alekperov (23), Ye. Bystrov (24), M. Fridman (26), A. Yefanov (27—28), Yu. Poletayev (30—31), P. Aven (43—44), and O. Yashin (47—48). Second, the evaluations of the influence of all the Russian businessmen increased, with the exception of Yu. Agapov (16—17), whose rating decreased, it is true, insignificantly—by all of a tenth of a point. In all likelihood, the increase in the evaluations as a whole can be explained not so much as an increase recently in business activities but more as the result of the study's participants being better informed about the subject of the study.

No substantial qualitative changes occurred in the structure of the Russian economic Olympus: just like the first time, the basic bulk of its inhabitants is comprised of representatives of bank and trade capital. At the same time, the head of Gazprom, R. Vyakhirev, having been placed on the list of Russia's leading businessmen for the first time, immediately occupied eighth place and, together with V. Kadannikov (Avtovaz), represents the production sphere in the top ten.

The composition of the top five basically remained the same, although first place is no longer occupied by the head of the Most financial group, V. Gusinskiy, but rather, by the chairman of the board of Inkombank, V. Vinogradov.

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Eleven people were dropped from the previously determined top 50 leading Russian businessmen: V. Pankin (Moscow Central Stock Exchange), A. Vulfov (S.I. Realty), A. Soldatov (Relkom), K. Borovoy (NPO [Scientific Production Association] Molniya), I. Baskin (Garant, St. Petersburg), A. Kashirskiy (Mytishchi Commercial Bank), R. Kadyrov (Vostok [East] Bank, Ufa), G. Zhuk (Neftekhimbank [petrochemical bank]), V. Okhlopov (Business Russia Bank), A. Zakharov (Moscow Interbank Currency Exchange), and Yu. Lyubash-evskiy (Dyagilev Center).

This time, the experts were also asked the question, "Who of the most prosperous businessmen can be called Russia's richest person?" We are listing the responses received to this question along with old but previously unpublished data (the number of experts who named one or another of the businessmen, see Table 2). Another 22 names of Russian entrepreneurs proposed for evaluation were named by the experts one time each.

Table 2.

Name	Second Quarter	First Quarter	Difference
V. Gusinskiy	10	5	+5
O. Bosko	6	1	+5
A. Vinogradov	6	1	+5
A. Smolenskiy	6	2	+4
M. Khodorkovskiy	6	3	+3
S. Mavrod	5	—	—
V. Neverov	5	3	+2
S. Fedorov	5	1	+4
K. Borovoy	3	0	+3
A. Flanis	3	—	—
A. Kadannikov	3	0	+3
I. Kibelti	3	2	+1
M. Masarskiy	3	1	+2
A. Shcherbakov	3	—	—
Yu. Aganov	2	0	+2
K. Bendukidze	2	1	+1
B. Berezovskiy	2	—	—
M. Garvachev	2	0	+2
A. Mukhametshin	2	1	+1
I. Nakhmanson	2	0	+2
M. Lindman	2	—	—
A. Yakunin	2	0	+2

Composition of the experts

Mass media economic commentators: V.G. Andreyev (newspaper EKONOMIKA I ZHIZN), V.O. Biryukov (magazine DELOVYYE LYUDI), V. Borisov (NTV), A.L. Vedev (publishing group VEDI), A.N. Vikhrov (weekly MERKURIY), V.F. Gorlenko (TRUD), V.S. Gurevich (MOSKOVSKIYE NOVOSTI), I.I. Zasurskiy (NEZAVISIMAYA GAZETA),

Yu.A. Kirpichnikov (magazine DELOVOY MIR), I.F. Klimenko (MOSKOVSKIYE NOVOSTI), A.Yu. Kovachich (publishing group VEDI), A.Yu. Kondratyev (KOMMER-SANT-DAILY), Ye.I. Kopysha (KURANTY), D. Koshkin (advertising agency Premiye SV [premiere communications]), E.V. Krasnyanskiy (TORGOVAYA GAZETA), A. Medvedev (NTV), S. Medvedev (advertising agency Respek [respect]), S.I. Mitin (FINANSOVYYE IZVESTIYA), V.V. Mikheyev (newspaper KTO YEST KTO [Who's Who]), S.V. Pelipenko (advertising agency Maksimo [maximo]), G. Pogasyan (OBSHCHAYA GAZETA), L.M. Rudskiy (magazine BANKIR), A. Smirnov (Copyright TV Broker), V.M. Starchevskiy (STOLITSA [capital]), and others.

Economic analysts and heads of public and commercial structures: Ye.L. Alekhin (Yurak Bank), A.M. Androsoy (Menatep Bank), N.A. Anoshko (Tsentrakredit [central credit] Bank), A.Yu. Vetrov (Tepkobank), V.N. Vyazkov (Malbank), V.A. Gubernatorov (Chamber of Industrial Commerce), V.S. Zakharov (Association of Russian Banks), M.A. Zatselyapina (Imperial Bank), I.A. Kreynin (Economic News Agency), S.Yu. Laptev (Moscow Commodity Exchange), A.P. Levchenko (TOO Inzhener [engineer]), Yu.P. Pimoshenko (Union of Innovative Enterprises), P.Yu. Rozov (Metal Exchange), M.Yu. Senatorov, (Information Technologies), A.D. Sidorov (Economic News Agency), L.T. Shpigel (Economic Freedom Party), N.A. Shulyatyeva (Union of Small Enterprises of Russia), and others.

Composition of the Vox Populi research group: A.V. Kins-burskiy—head, S.B. Kupriyanova—processing, M. Topalov—field work.

The Analysis [Turanov]

A further strengthening of the positions of the representatives of financial and trade capital was the main result of the June rating of Russian businessmen. Their number in the list of the 50 grew at once by 5 (!) personalities. The exchange movement suffered large losses—A.N. Zakharov (MMFB [Moscow International Stock Exchange]) and A. Pankin (MTsFB [Moscow Central Stock Exchange]) disappeared from the list and the positions of the stockbrokers remaining on the list weakened somewhat: Yu. Milyukov (MTB [Moscow Commodity Exchange]) dropped from 18th—19th place to 35th place, A.V. Zakharov (MMVB [Moscow Interbank Currency Exchange])—from 18th—19th place to 37th place and A. Vlasov (RTSB [Russian Commodity—Raw Materials Exchange])—from 26th—27th place to 39th—40th place. Yu. Milyukov's rating will hardly change substantially in the future—the Moscow Commodity Exchange has firmly occupied the futures niche, especially currency futures, and this market is expected to be quite stable.

With the advent of the long-awaited boom in the stock market, the return of A. Pankin and A.N. Zakharov should be expected, as well as a rise in the rating for A. Vlasov, if the Russian Commodity—Raw Materials Exchange can quickly reorient itself to the stock market.

In the June list, the positions of the "producers" improved somewhat—their number increased thanks to V.

Alekperov (Lukoil, he occupied 23d place) and R. Vyakhirev (Gazprom) who made an impressive leap straight into 8th place, which is associated with the broad-scale privatization of Gazprom, which was extensively reported in the press. Somewhat surprising is the disappearance from the list of St. Petersburg entrepreneur I. Baskin, who is now busy with the realization of a number of the largest projects, including the construction of a seaport in the Gulf of Finland.

One would like to believe that the strengthening of the producers' positions is associated with the noted trend toward stabilization of the economy. If this trend continues, then a further strengthening of the producers' positions in the September rating may be expected at the expense of the heads of the commercial banks—a sharp lowering of the Central Bank's credit rate, undoubtedly, will effect a lowering of their profits.

The sharp leap of S. Mavrodi (MMM) straight to 12th place has been natural. The scheme for artificially raising the quotations for MMM shares is still operating faultlessly and if, in the next quarter, the market quotations for AO MMM's shares do not fall sharply through Lenya Golubkov's efforts, then a strengthening of the positions of the firms which have begun copying the MMM scheme (Germes and Tele-Market) can be expected. In addition to the acknowledged prestige of AO Logovaz and AVVA, apparently, the widespread illumination of the press attack on B. Berezhovskiy also affected his emergence in the rating. P. Aven, proposed by the experts, also got into the rating right away—of course, he is a former minister known by all. P. Aven's activities in Alpha Bank, evidently, were the reason for the fact that, in addition to him, M. Fridman appeared on the list and A. Rappoport rose. Menatep's positions, conversely, weakened somewhat—M. Khodorkovskiy dropped from 3d place to 5th place and L. Nevzlin—from 13th place to 21st place, which, evidently, is associated with the decrease in advertising activities in the past quarter. The strengthening of the positions of V. Gugin (Orgbank, he rose from 48th place to 25th place) and I. Safaryan (BIS [brokinvestservis], from 43d place to 33d place) is associated with their leading role in the markets, respectively, for bank credits and soft currency clearing.

The next rating—September's—will show how consistent the trends manifested in June are.

Poll on Demonstration Participation

944109241 Moscow MOSKOVSKAYA PRAVDA
in Russian 14 Jun 94 p 1

[Article by Oleg Savelyev, a sociologist with the All-Russia Center for Public Opinion Studies: "Who Needs It, This Rally?"]

[Text] The All-Russia Center for Public Opinion Studies (VTsIOM) in April-May interviewed 2,935 residents of Russia in a sample representative of the federation's adult population. The respondents once again answered questions they had been asked in April of last year. The replies were distributed as follows (in percents):

"In your opinion, what is the current probability of mass protests in your city (rural rayon) against rising prices and declining standard of living?"

	April 1993	April 1994
Quite possible	32	33
Unlikely	51	51
Do not know, no opinion	17	16

"If such rallies or protest demonstrations take place, will you personally participate in them?"

	April 1993	April 1994
Most likely yes	8	8
Most likely no	88	88
No opinion	4	4

Higher than average willingness to join protest actions was displayed by the unemployed, workers, and men as a whole; persons between 40 and 55 years old; with the education less than high school; with low income; those working in the state sector of the economy; and those living in Siberia and the Far East, in rural settlements and small towns.

Among the potential participants in such actions, there is a relatively higher share of respondents who regularly read newspapers PRAVDA and SOVETSKAYA ROSSIYA, watch "Itogi" television program, those who actively participated in elections on 12 December of last year and voted by party lists for agrarians, communists, and Zhirinovskiy's party.

The desire to participate in rallies and demonstration is less characteristic than average among the military and members of law enforcement services, pupils and students, managerial personnel of different level, pensioners, housewives, and on the whole persons over 50 and under 25 years old; persons with higher or incomplete higher education, relatively high income, working in the private sector, living in large cities and especially in capitals, in particular, residents of Moscow and St. Petersburg were one-and-a-half times less likely to express a desire to participate in rallies and demonstrations than the Russians in the sample on average.

Poll Indicates Increasing Production Decline in June

944E10591 Moscow DELOVOY MIR in Russian
8 Jul 94 p 4

[Article by Sergey Tsukhlo, Institute of Economic Problems of the Transitional Period: "Increasing Rate of Decline"]

[Text]—The rate of decline again has reached the record level of March.

—In light industry dissatisfaction with production has risen to 97 percent.

—The summer season does not justify the hopes of construction industry enterprises for an increase in the demand for building materials.

- With a normal demand more and more enterprises show readiness to give up a price increase.
- The construction industry and light industry suffer most of all from surplus stocks of finished products.
- Hopes for production growth remain only at 6 percent of the enterprises
- The maximum decrease in production is expected in the woodworking industry and the minimum, in machine building.
- In July the share of enterprises, which do not intend to raise whole-sale factory prices, will reach 38 percent.

Evaluation of the Current Situation

In June 62 percent of the surveyed enterprises reported on a **REDUCTION IN THE VOLUMES** of output. The balance (rate of reduction) made up 55 percent. Such a high rate of decline was registered earlier only in March 1994. A year ago (June 1993) this indicator was -23 percent. An increase in the decline continues in the wood-working industry—during 5 months the balance declined there from +9 to -64 percent. After the stabilization of output in May (zero balance) the decline resumed in the construction industry (-20 percent). In the last 3 months machine building has been discarding production at a constant speed (-60 percent). A total of 59 percent of the enterprises expect a continuation of the decline.

Results of the Situation Survey of 199 Enterprises

June 1994 (in Percent of Total Answers)

How has the physical production volume at your enterprise changed in the last 2 to 3 months?	Increased	Has Not Changed	Declined	No Answer	Balance
	7	30	62	1	-55
How do you evaluate the current physical volume:	Above the Norm	Normal	Below the Norm	No Answer	Balance
of your production	0	14	86	0	-86
of the demand for products	0	17	79	4	-79
of the export demand	1	18	41	40	-40
of stocks of finished products	47	30	16	7	+31
How will the following change in the next 2 to 3 months:	Will Increase	Will Not Change	Will Decline	No Answer	Balance
production volume	6	43	48	3	-42
Prices of your products	53	38	3	6	+50

In June dissatisfaction with current volumes of output reached a new record—86 percent. The previous record (83 percent) was registered in December 1993. The increase in dissatisfaction was noted in all sectors, except for the wood-working sector, where in 1 month the share of answers "below

the norm" declined from 86 to 82 percent. The absolute record of all sectors and surveys was registered in light industry. There 97 percent of the enterprises reported dissatisfaction with production. In June production stabilization suited 25 percent of the respondents (May—34 percent).

Share of Enterprises in a Sector Reporting in 1994 Their Intention To Retain Wholesale Factory Prices, percent

Sector	January	February	March	April	May	June
1. Petrochemistry	0	8	18	13	44	33
2. Machine building	9	12	10	20	31	38
3. Woodworking	10	9	8	31	43	45
4. Textile	13	21	14	48	39	52
5. Food	0	0	8	40	25	10

The slowdown in the rise of prices of products and the probable increase in demand connected with it led to an improvement in the **EVALUATIONS** of the demand among industrial enterprises. The share of answers "below the norm" did not decline in the construction industry (as before, 100 percent) and light industry (87 percent, May—75 percent) alone. Normal evaluations of the demand in petrochemistry reached 33 percent and in the food industry, 30 percent. The reaction of enterprises to the low

demand: A total of 48 percent are ready to lower production (May—54 percent) and 40 percent, not to raise prices (May—33 percent). With a normal demand 45 percent of the enterprises are ready to give up a price increase.

In June 47 percent of the enterprises reported on the availability of **SURPLUS STOCKS** of finished products. This is a minimum in the last 8 months. Throughout sectors the share of answers "above the norm" basically fluctuates around 35 percent. This indicator made up 60

and 53 percent respectively in the construction industry and light industry alone. With surplus stocks of finished products 50 percent of the enterprises are ready to lower production and 41 percent, not to raise prices.

Forecasts and Expectations

In June EXPECTATIONS OF A DECLINE in production remained at the level of May. However, forecasts of the growth of output were registered only at 6 percent of the enterprises. Such small hopes for overcoming the crisis were not noted even once in 25 surveys. At the same time, only petrochemical and machine building enterprises reported on their intention to increase production. Answers "will not change" predominate in food (60 percent) and machine building (43 percent) sectors and in the construction industry (60 percent). On the whole, the

maximum reduction in production is expected at wood-working enterprises, where the balance reached a record value for this sector: -64 percent. The most optimistic forecast of the month was recorded in machine building. In the very near future the decline (according to the balance) will make up "only" -30 percent.

The increase in producers' anti-inflationary intentions will continue in June: The share of enterprises not planning to increase wholesale factory prices reached 38 percent. Such a high value of this indicator has not been recorded since March 1992. A minimum price rise should be expected for products of light and woodworking sectors (see the table). Problems with sales have arisen precisely in these sectors recently and hopes for state support, as at machine buildings plants, have long ran out.

Evaluation of Demand for Output



Key:—1. Below the norm—2. Normal

Evaluation of Current Production Volume



Key:—1. Normal—2. Below the norm

Evaluation of Stocks of Finished Products



Key:—1. Normal—2. Above the norm

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Expected Price Changes



Key:—1. Will rise—2. Will not change

POLITICAL AFFAIRS

Saburov Comments on Kuchma Inauguration

944K1838A Simferopol KRYMSKAYA GAZETA
in Russian 21 Jul 94 p 1

[Comments by Yevgeniy Saburov, vice premier of the Republic of Crimea, recorded by Galina Kostina; place and date not given: "We Are Expecting Better Things"]

[Text] A Crimean delegation was present at the inauguration of the new Ukrainian president Leonid Danilovych Kuchma. We asked Yevgeniy Saburov, vice premier of the Republic of Crimea, for his opinion on the significance of this event:

"In my view, the most moving moment at the inauguration of the Ukrainian president was the symbolic handover of power. Neither Kravchuk nor any of his team expected to be defeated, absolutely did not. Practically all ambassadors had transmitted to their countries preliminary information to the effect that Kravchuk would win. We will leave aside the matter of falsification of data, although there is already a generally accepted suspicion in the world that the elections in Ukraine were falsified. We will leave aside the handout of loans, in Crimea included, when even the former president distributed them in order to win votes. Nor will we speak about the fact that Kravchuk had allegedly gambled on nationalism and dislike of Russia. The election figures indicate that Kuchma did not lose that heavily to Kravchuk in the Western oblasts.

"Kuchma's victory is absolutely indisputable. If we take away all the administrative dodges, falsifications, and pressure, Kuchma's victory is altogether overwhelming. This was a shock, of course. The powers that be have at this moment understood, of course, that democracy is not an invention, it is a real force.

"The two presidents met after the inauguration. At the reception Kravchuk also approached Kuchma and even proclaimed a toast, not to the new president, it is true, but to 'independence.' And without fuss. This was what was most impressive at the inauguration. This was a victory for democracy and a victory for normal thinking.

"I did not speak with Leonid Danilovych on this occasion inasmuch as this was a holiday, and everyone was coming up to him and saying kind words. This is not the time to be communicating on business. I will come about this somewhat later. I had a more substantive conversation with Masol, with Yushenko, and with some Ukrainian ministers—on matters pertaining to us. But we also arranged to meet for more specific negotiations. It will be necessary very shortly to come and work on a full program. This is important.

"I spoke with the Italian, Greek, and British ambassadors. They all had just one question: 'What about Crimea now?' I said that we do not expect there to be any more stupidities, that there will be a more balanced and normal policy in relation to Crimea, and that we will begin to negotiate. We feel fine: Crimea voted for Kuchma, and this

was our victory. We liked Kuchma's speech very much. It made serious shifts in a direction which is to our liking. Specifically, concerning recognition of Russian as an official language of Ukraine. That Ukraine's sales markets are in the East, not in the West, as many people naively believe, was very well said. A few harsh words were said about Ukraine's isolation.

"But it is impossible to let down in Kiev for a single minute. After the break, for example, we returned to the Supreme Council, thinking that there the festivities would continue, and at this time Oleksandr Moroz, chairman of the Supreme Council, said that the Supreme Council would now embark on a discussion of the law on local government. And it was for this that the leaders of Crimea and other oblasts had been invited here. Thus we had to listen to this law and the discussion (we had not known at all, incidentally, that we were to have taken part in this), and the result might have been that we had approved this law, seemingly, since we had been present and had discussed it. What is meant by local government for Crimea? This is not at all what we want. We politely listened to the report, but when we were invited to discuss it, we walked out, in such a way as to be seen by all. You have to be on your guard the whole time. I even made every effort and exercised my knowledge of Ukrainian when listening to the report in order to avoid getting stuck on something or other. And, thank God...."

Candidate Backed as Crimean Representative

944K1822B Simferopol KRYMSKAYA GAZETA
in Russian 16 Jul 94 p 1

[Article by V. Shevyev, deputy of the Supreme Council of Crimea: "L.S. Mardakhovich (Leonid Olin)—Worthy Representative of the Republic of Crimea in the Parliament of Ukraine"]

[Text] The young Republic of Crimea is moving confidently along the path of political and economic independence. Unfortunately, a serious obstacle on the path is the discrimination against our state by the Ukrainian parliament and government. The attitude of Kiev's members of parliament toward the problems of Crimea is being affected greatly by the absence in the Supreme Council of Ukraine of representatives of the former. There is no one to argue with the deputies, rebuff nationalist encroachments, and describe Crimeans' real goals and intentions.

The inhabitants of Crimea now have an opportunity to send their representative to the Ukrainian parliament—on 24 July they will elect deputies of the Supreme Council of Ukraine. They have a worthy representative who could knowledgeably defend Crimeans' interests in the Ukrainian parliament. He is the journalist Leonid Semenovich Mardakhovich, who appears in KRYMSKAYA GAZETA and other publications under the pseudonym Leonid Olin.

He has done much by his articles to bring order to bear in Crimea, for the removal of negative phenomena from our life, and for the establishment of social justice. Leonid Semenovich Mardakhovich (Leonid Olin) has helped

many people who have been ill-treated and who have fallen victim to bureaucratic and judicial arbitrary action. As a result of his articles in the press many shortcomings have been ended, flouted justice has been restored, and dishonest officials have been brought to book. I have no doubt that Leonid Semenovich Mardakhovich (Leonid Olin) is a worthy candidate for deputy of the Supreme Council of Ukraine capable of supporting and defending the interests of our young state.

I call on all people of Yalta to cast their vote on Supreme Council of Ukraine election day for Leonid Semenovich Mardakhovich (Leonid Olin).

Communist Party for Territorial Integrity

944K1822A Simferopol KRYMSKAYA GAZETA
in Russian 16 Jul 94 p 1

[Communist Party of Crimea statement: "Communist Party Against Disintegration"]

[Text] The Communist Party of Crimea believes that "the relative financial stabilization, given the continuing recession in Ukraine and Crimea, is of a temporary nature." A statement of the Communist Party of Crimea Republic Committee Presidium says that "a further intensification of the crisis and ever increasing impoverishment of the people are inevitable and could cause a social explosion. The impending catastrophe may be prevented, the communists believe, with the restoration of unified statehood." For this reason the Communist Party of Crimea opposes the "disintegration and violation of the territorial integrity of Ukraine, Russia, and the other republics inasmuch as there is a legitimate path to their unification based on denunciation of the Belovezha Agreement."

Security Official on Struggle with Mafia

944K1735A Kiev PRAVDA UKRAINY in Russian
5 Jul 94 p 2

[Interview with Aleksey Ivanovich Denishchik, chief of the Khmelnytsky Oblast administration of the Security Service of Ukraine, by Irina Kozak, under the rubric "Candid Conversation"; place and date not given: "The Mafia Is Operating Brazenly, But There Are Forces Prepared To Oppose It"]

[Text] Frankly, our people have an equivocal attitude toward the Security Service. There is a certain mistrust and fear of the direct heir to the organs that played such a sad role in our history. There is also a failure to understand the need to maintain another law enforcement organ in the country in addition to the militia. But at the same time, there are dozens of administrations of the service that are in existence for the second year now and are operating in all oblasts of the republic, and interregional subdivisions have been created. What they do was the subject of our discussion with the chief of the Khmelnytsky Oblast administration of the Security Service of Ukraine, Aleksey Ivanovich Denishchik. [Kozak] Aleksey Ivanovich, it is no secret that not so long ago your administration, although it was covert, was still political in nature. But today? What has become the

predominant policy in the administration's work? [Denishchik] I will probably not be very original when I say that it is economic. Of, rather, problems related to crime and the shadow economy. At first this way of posing the issue looked somewhat strange to cadre officers in our service, to put it mildly. After all, for many long years we had, if not written, then at least verbal instructions ordering us not to intervene in economic problems. "Economic" matters were resolved at different levels and in different offices. Today the task is altogether different: We must not allow our already reeling economy to be suffocated by corruption, which has been growing more and more widespread recently. [Kozak] Generally speaking, a certain attitude toward corrupt structures and the creation of the so-called mafia elite was developed a long time ago among our people. All you have to do is ride on a crowded trolley a time or two, and you will hear the names of all who are impeding the normal life of the people, and at all levels—from enterprise leaders to the highest structures of power in the country. But these are rumors. We should refer to official reports, but there are none, and they never come out in general. The names of the criminals have not been mentioned in a single serious case. [Denishchik] Yes, there is a portion of truth in that. But what does it mean—to name criminals? This is to officially recognize somebody's guilt. And one of the primary tasks of our administration is to fight corruption. Yet up to this point the law has not determined what it is. We are fighting a shadow. While we have been granted rights in fighting criminals, we do not have a clear idea of who they are. For what and how should they be punished? What does corrupt mean, or is it simply a bureaucrat who has taken a bribe? Today nobody any longer places money in an envelope and surreptitiously slips it into the pocket of the strong people of the world. We encounter dozens of cases in which in exchange for a particular service a person has received a foreign currency account in a foreign bank. Or, say, he has purchased goods at "old" prices, that is, he has received them practically free of charge. And for this, naturally, our legislation does not specify any penalty. I recall one case involving an "oil magnate" in our oblast. Everything appeared logical then. Gasoline was sold to a Bulgarian firm that was doing construction work on the territory of the oblast. For hard currency. But the dollars did not go for the development of production or the purchase of gasoline for rural areas, as was expected. Immediately all the official vehicles in the organization were sold by its workers for practically nothing and the foreign currency was used to buy foreign cars to replace them. With the same money they arranged a cruise to the Canary Islands. It would seem that criminal actions were at hand. But the law did not see this as a crime. And except for moral censure and removal from their position, no other penalty could be imposed. And this is far from the only case. Today in the line of duty we see immense sums leaving Ukraine. I am practically certain that the wheeler-dealers in underground business are investing this money in such a way that it will never return to the country. And I am speaking not about millions but about billions of our karbovantsy! The sums the shadow economy has at its disposal today run into the hundreds of

millions of dollars. An ordinary person, a rank-and-file employee, who does not receive wages at this enterprise for months in a row, finds it difficult to imagine that a person could have tens of thousands of dollars as pocket money. I repeat that these figures are not in business, but only for small daily expenses. And the amounts of the profits taken by certain "entrepreneurs" are thousands and hundreds of thousands times greater. This year our workers discovered \$250,000 in private accounts in foreign banks, which had mysteriously ended up there from the state. Or just take last year. As a result of our timely intervention, about \$300,000 and more than 170,000 German marks were not shipped out of the oblast to Western countries. And we even managed to return 174,000 marks that were being kept illegally in foreign banks. I have no doubt that if any of our enterprises had received investments in such amounts, they would have felt confident in spite of all of our economic declines. But still that is only a small proportion of what we have managed to find and save. A much larger amount of capital has been lost both to the oblast and to the country, never to be returned. [Kozak] Aleksey Ivanovich, to be honest, your words remind me more of excerpts from a movie about the valiant commissar fighting the mafia than ones that are associated with the realities of life. Has the formation of Mafia structures really become such a serious thing in your life? [Denishchik] Large amounts of money, and I repeat, these are very large amounts of money, can involve many people. And today we have encountered cases where even politicians are trying to arrange contacts with the criminal world. It is no secret to anyone that criminal elements are trying to introduce their people into law enforcement organs as well. And sometimes they succeed in these alliances. Here is a quite recent example. Porcelain manufactured in Polonnyy was being shipped out of there by dishonest means. And a former chief of a subdivision for combating economic crime of the rayon internal affairs division was participating in this illegal barter transaction along with the businessman. I understand that it is difficult to resist monetary temptations. I cannot speak for other departments, but my workers sometimes have occasion to see how the largest kinds of transactions are concluded. And sometimes there is the fleeting thought: Why should I not get something out of this. And add to this the fact that the criminal world also engages in a certain amount of investigation. After all, they frequently know the entire biographies of our workers and are looking for all kinds of channels through which somehow to dig their way in. [Kozak] And do they find them? After all, you frequently hear this person got off free, that person was made to look good. Here a swindler is getting fat in freedom, and charges have already been filed.... [Denishchik] I will not try to fool you—there are such cases. True, not as frequently as it might seem from everyday conversations. Ultimately we determine the degree of guilt and the measure of punishment of the criminal. And I repeat: Sometimes our laws can be interpreted in such a way that the violator goes free. But that is a subject for a separate conversation. But the problem, believe me, is not so much those who have gotten off as the fact that the criminals are committing their

crimes more and more cynically and blatantly; it is as if they are throwing down the gauntlet to the society. Even today our oblast has been divided into territories and spheres of influence where groupings work efficiently and live according to their own laws. For instance, according to our official information, last year the administration in conjunction with the internal affairs administration discovered nine organized criminal groups operating with violent methods. And here are this year's figures: Seven groups of racketeers have been arrested. And we are speaking here not only about muscle-bound "thugs" demanding their share of the market trade. The targets of the mafia structures are one thing. But their organizational center is something altogether different. They strictly divide up money and power. In a very short interval of time, four contract murders have been committed in the oblast, and six people have died. Here are the latest events that have rocked the city. One of the bosses of the Khmelnytsky racketeers was shot during the night while in bed with his mistress. Then another round from an automatic weapon was heard on the street, and somebody else had got his man. And recently a lot of stir has been caused by the murder in Kamenets-Podolskiy, where one of the upper crust of the city's criminal world was blown up by a mine on the sidewalk leading to his own home. [Kozak] Incidentally, certain publications from Kiev linked this murder directly to the shots fired at Bortnik. Do the roots of the "affairs" in the capital really go that deep? [Denishchik] I will not try to trace any connections right now. There is an investigation going on. But even if such a riddle existed only hypothetically, still one would have to think of how serious are the processes taking place in the society today for the formation not only of a shadow economy, but also of a government. I certainly do not want to stir up emotions. Imagine what would happen if there were no place for the law in our life and law enforcement organs were to be powerless against criminals. No, we have a large amount of information: about which group works where and how. And we are not operating blindly. We have prepared dozens of reports, which contain not only information about the crime situation in the oblast but also detailed analysis of its economic condition, descriptions of social groups in whose hands the greatest amounts of capital are concentrated, and various ways by which money leaves the country. And this is certainly not done for reference or for a report. All of these documents only confirm that we need effective and clear laws both in the area of the economy and in the law enforcement system. After all, it is no secret that the creation of the banking system in its present form caused not simply confusion but also immense indignation. The state has lost all control over financial structures which, if you look into it, has practically never happened in a single developed state of the world. Today Ukraine is suffocating from a shortage of cash money. And it is understandable that with uncontrolled credit, whereby money is given out with practically no guarantees to advantageous clients, as a rule, they convert it into hard currency and never return it to the state. Money no longer makes goods. It only makes more money. And this has played into the hands of many people.

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[Kozak] Is there really no stopping this, no way out of the impasse? [Denishchik] In nature in general, there are no completely hopeless situations. And there are probably solutions now. But I think that this is largely a task for our legislative organs. Why not call a halt to the outbreak of unbridled privatization for a half year and check and see what is being done in the local areas. And do this at the state level. Of course, even now we are not standing on the sidelines of these affairs. We have succeeded in preventing billions of karbovantsy in fixed capital from being illegally transferred to commercial structures. But, at the same time, how many enterprises have we succeeded in protecting from the conclusion of disadvantageous contracts! After all, it must be admitted that today our country is open not so much to honest businessmen as to all kinds of scoundrels, including international thieves. And in our oblast we do not have a single director who has suffered because he has concluded a contract with a criminal, but as a result there have been terrible losses for the entire collective. This year alone, we have prevented our enterprises from concluding disadvantageous contracts worth 2 million German marks. [Kozak] When reading these lines, possibly, many people will smile: Yesterday's KGB workers, and suddenly they are such good boys.... [Denishchik] No, we are not ditherers. And mainly because the tasks facing our service are too serious. The main thing is to help our economy get rid of corrupt criminal structures,

which are growing up like mushrooms after a rain on ill-gotten capital. But, on the other hand, we are not monsters, either. It is not without reason that we are changing our banners and coming closer to various parties and schools. We are prepared to live peacefully and cooperate with everyone. But under one condition—with everyone who lives honestly. We are a very law-abiding organization. And we want to make sure that everyone else lives in the state according to the laws that they made. Possibly it is easier to judge from the outside. But allow me to note that we do not need stricter laws, but more clear-cut and logical ones. And the main thing is that they be effective. They must not allow any ambiguity in practical interpretation. I am in favor of having our service work less. But so far it has plenty of work. And we must cope with it.

ECONOMIC AFFAIRS

First Quarter 1994 Privatization Statistics Reported

944K1742B Kiev URYADOVYY KURYER
in Ukrainian 30 Jun 94 p 12

[Report of the Ministry of Statistics of Ukraine: "Privatization of Objects in the First Quarter of 1994"]

[Text]

Privatization of Objects in the First Quarter of 1994 (billions of karbovantsi)

	Total	including by objects in:			
		Group A	Group E	Groups B, C, D, F	Privatized by the central administration of the State Property Fund
Number of objects	1,857	1,497	10	281	69
Registered number of employees in thousands	319	66.9	0.7	147.9	103.5
Value of property of complete property complexes	2,788.4	450.4	1.4	1,078	1,258.7
Value of total share of privatized property	1,489.4	345.9	2.1	570.7	570.7
Actualized price of objects total	1,037.9	408.4	2.2	317	310.2
including for privatization property certificates	441.8	96.2	0.0	183.1	1,625
for housing blocks	0.0	0.0	—	—	—
for money	596	312.2	2.2	134	147.7
for convertible currency—dollars	1,357	1,357	—	—	—

Note: Group A—objects whose value in prices of 1 August 1993 does not exceed 700 million karbovantsi (excluding enterprises in Group D);

Group B—objects whose value in prices of 1 August 1993 ranges from 700 to 45,000 million karbovantsi, while the share of value per each employee does not exceed the nominal value of the privatization property certificate more than 1.5-fold (excluding enterprises in Group D);

Group C—objects whose value in prices of 1 August 1993 ranges from 700 to 45,000 million karbovantsi, while the share of value per each employee exceeds the nominal

value of the privatization property certificate more than 1.5-fold (excluding enterprises in Group D);

Group D—monopoly enterprises, duly defined as such regardless of their value;

—enterprises in the military-industrial complex that are subject to conversion under the appropriate program regardless of their value;

—enterprises whose privatization is being conducted with the participation of foreign investment in accordance with Ukraine's international agreements, regardless of their value;

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—enterprises whose property is valued at more than 45,000 million karbovantsi;

Group E—frozen [zakonservovani] objects and unfinished construction projects, the property of liquidated enterprises;

Group F—state shares (stocks) in property belonging to enterprises with a mixed form of ownership.

In the event that the book value of fixed capital is indexed, the value amount used to classify privatization objects is increased by the indexation coefficient of privatization property certificates.

Based on data provided by the Ministry of Statistics of Ukraine

Coal Industry Prospects Viewed

944K1740A Lvov POST-POSTUP in Ukrainian
No 22, 30 Jun 94-6 July 94 p B4

[Unattributed article: "Ukrainian Coal Reserves Total More Than 10 Billion Metric Tons. How Many Billions of Dollars Will It Take To Mine this Coal?"]

[Text] Until recently, Ukraine was regarded as one of the world's leading producers of coal and coal byproducts. During the period of stable growth of the coal mining sector during the 1980's, the annual yield of anthracite and bituminous coal amounted to 180-190 million metric tons annually. At that time, this sector employed close to 1.3 million people. Then, in 1990-91, for reasons known to everyone, there was an overall drop in production and in the extraction of Ukrainian coal.

Production indicators in this branch dropped 25%. One of the reasons for this was the rise in the price of energy supplies. After a relative stabilization in 1992, output amounted to 134 million metric tons per year. Scientists estimate that Ukraine's current reserves of coal—the principal primary fuel—total 110 billion metric tons. Of this amount, 70% consists of fuel coal and the rest is coke. Average depth of coal seams—1,600 meters. According to Serhiy Fishchenko, head of the Center for Coal Mining Industry Affairs of the Cabinet of Ministers of Ukraine, coal reserves at active mines and mines under construction total approximately 10 billion metric tons, while reserves at coalfields ready to be developed amount to 11 billion tons. The key performance indicators of Ukraine's coal industry are presented in Table 1.

According to data provided by the Customs Committee of Ukraine, the volume of external trade transactions conducted by Ukraine's coal industry in 1993 amounted to 109 million dollars. Coal and coke exports totalled 52.9 and 5.4 million dollars, respectively, while imports amounted to 50.5 and 0.111 million dollars, respectively. The principal consumers of Ukrainian coal continue to be Kazakhstan, Russia, Bulgaria, Moldova, Slovakia, and Belarus.

Most of Ukraine's coal and coke are used to meet the country's domestic needs, while the sale of 2-3.5% of our

coal provides sufficient earnings to cover the cost of importing those types of coal and coke that are in short supply.

Ukraine's 69 concentrating plants make it possible to process 155 million metric tons of coals annually, and another 30 million metric tons are processed at coke chemistry plants. Consumption of the output of Ukraine's coal industry is broken down as follows:

—35% of the average annual amount of coal mined is used as fuel by electric power stations;

—30% of the coal is coked and consumed by coke chemistry plants in the metallurgical industry;

—35% of the coal is used in the municipal and everyday services sector, as well as to meet consumer needs.

The amount of coal mined in Ukraine over the last 100 years is estimated to total 8.5 billion metric tons. In 1993, the average daily output of coal per coalface amounted to 299 metric tons.

As part of the Program for the Development of the Coal Industry and Its Social Sphere, adopted by a decree of the Cabinet of Ministers in March 1994, it is planned to increase the average daily output of coal in 1994-95 to 325 metric tons.

On the whole, Ukraine's coal reserves consist of deep-seated deposits (up to 1,600 meters) and sharply inclined seams. Seventy-five percent of Ukraine's coal is found in very thin seams (measuring from 0.45 to 0.6 meters) and thin seams, ranging in width from 0.6 to one meter. The natural characteristics of the deposits have prompted the development of a unique Ukrainian technology of coal mining, which makes it possible to produce approximately 13,000 metric tons of coal a day at some mines in the Donbas. According to Serhiy Fishchenko, apart from Ukraine, only two other Western country's possess the technology to mine thin seams—Germany and Great Britain.

The bulk of the coal reserves (100 billion metric tons) is concentrated in the Donetsk coal basin, where 50 fields have already been prospected for the construction of new mines with a total capacity of 104 million metric tons, including 22 fields (47 million metric tons) for the production of coke. There was intensive growth of coal mining and coke production over a long period of time in Ukraine: by 1975, their output had increased to 215 and 40.4 million metric tons, respectively. But in 1991, the rise in the price of energy supplies resulted in a decrease in production, including a drop in the output of the coal industry.

Between now and the year 2015, the government of Ukraine plans to reorganize the structure of the coal industry. These plans call for maintaining the production capacity of currently operating mines at the sector's own expense and the reconstruction and technical re-equipment of 93 working mines and seven concentrating combines by attracting loans. There are also plans to reconstruct 29 fields of existing mines, which will ensure

an additional output of 23.3 million metric tons, including eight fields totalling 5.7 million metric tons of coke.

Coal is currently being mined in Ukraine from 1,200 coalfaces, of which 22 are found at a depth of one kilometer. At the Skachynska Mine, coal is being mined at a depth of 1,400 meters.

In the Lviv-Volyn basin, four fields have already been prepared for the construction of new mines with a total capacity of 5.4 million metric tons annually. In the Dnipro brown coal basin, eight fields (5.7 million metric tons) have been prepared for mine construction, four of which will be worked using opencast methods.

There are plans to build a fuel and power center on the basis of the Verkhnyodniprovsk coal field in Dnipropetrovsk Oblast with an annual capacity of four million metric tons of coal, a thermal electric power station, as well as enterprises specializing in processing secondary resources and a plant to manufacture mineral wax from brown coal, of which this region has an ample supply. The Oleksandriya plant, which specializes in the production of mineral wax and is the only one of its kind in Ukraine, provides only 50% of the mineral wax needed by Ukraine. This year, the government of Ukraine allocated three trillion karbovatnsi for the reconstruction of existing mines and the construction of new mines in the Donbas—the Komsomolets Donbasu, Sukhodolska Skhidna, Samsonivska Zakhidna, and the Zakhidno-Donbaska mines, etc. But three trillion is not enough; the coal industry needs 6.3 trillion karbovatnsi. According to Serhiy Fishchenko, the government will solve the problem of additional funding for the coal mining industry this year. For example, it is expected that the construction of 22 new mines with a total capacity of 38.6 million metric tons and three new concentrating combines will be financed not only with government subsidies but also by attracting foreign investment.

The natural characteristics of our coal deposits are attracting the attention of foreign investors. However, so far we cannot boast of any actual financial assistance from the West in this sphere.

An exception and perhaps the beginning of foreign investment projects in Ukraine's coal mining industry is the Ukrainian-Swiss joint venture Plankom Limited created on the base of the Komsomolska Mine (the Antratsyt Production Association in Luhansk Oblast), which specializes in the mining, processing, and sale of coal. Under the contract that was concluded in 1998, the Swiss partners are to invest approximately 900 million dollars into the development of the mining field, which they will control for four years. For its part, the Ukrainian side will continue to produce and deliver 280 million metric tons of graded coal to the trade partners of the Swiss cofounder of the joint venture. Fifty percent of the profits from the operation of the joint venture will go to the Swiss cofounders and 40% to the Ukrainian side—the Komsomolska Mine.

Table 1. Key Indicators of the Performance of the Coal Industry of Ukraine in 1992-1993 (in millions of metric tons):

	1992	1993
Coal output	133.6	115.7
including:		
coal	127.8	111.6
brown coal	5.8	4.1
Output of coal for coking	54.9	45.4
Coke production (calculated in terms of 6% content)	27.3	20.6
Coal processing at concentrating plants	104.0	86.0

(Based on data provided by the Ministry of Statistics of Ukraine)

Table 2. Distribution of Coal Industry Output in 1993 (in millions of metric tons):

	Produced	Domestic Consumption	Exports	Imports
Coal including coal briquettes	117.6	116.48	4.126	2.662
	(100%)	(99%)	(3.5%)	(2.3%)
Metallurgical coke dry weight	17.53	17.43	0.44	0.0135
	(100%)	(99.4%)	(2.5%)	(0.08%)

(Based on data provided by the Ministry of Statistics of Ukraine)

Pynzenyk on Need for Economic Reforms

944K1830A Kiev NARODNA HAZETA in Ukrainian
14 Jul 94 p 2

[Interview with People's Deputy of Ukraine Viktor Pynzenyk by Iryna Yashchembska, under the rubric "Economy"; place and date not given: "Viktor Pynzenyk: There Is No Avoiding Economic Reforms for Ukraine"]

[Text] *At present some politicians and economists consider the situation in Ukraine catastrophic, while others think that the situation is difficult but far from hopeless.*

For this reason a conversation between our correspondent and People's Deputy of Ukraine Viktor Pynzenyk, a well known economist and statesman, began precisely with an assessment of the economic situation in our country.

[Pynzenyk] There is no such thing as a hopeless economy. There is hopeless politics. We have an example of how such a policy is taking us to a dead end. Unfortunately, ideology frequently ranks first, and the needs of the present-day economy are not considered. The fact that the situation in the country requires actions which are determined by a market economy is ignored. A nostalgia for the olden times is felt in the parliament and inept proposals to restore order by command methods are heard. However, it

is unrealistic to go back (even if we try to do this theoretically) because the command system has a certain logic of construction, a structure characteristic of it, and envisions the complete distribution of products. This was possible in the Soviet Union, which existed in a relatively closed economic system when relations with the West were very insignificant and ephemeral.

The situation has now changed fundamentally. For the distribution-and-control system to work it would be necessary to restore the Union as a state with a single State Planning Committee, State Committee for Material and Technical Supply, State Control Committee, and so on.

[Yashchembska] However, attempts to restore order by overly uncivilized methods have brought about the blooming of the so-called shadow economy here. Many politicians and economists are sounding the alarm.

[Pynzenyk] Of course, it is bad that we have a shadow economy here. However, what is the shadow economy about in our state? It is an entirely legal and entirely real economy which now feeds us, manufactures goods, and provides services. There is only one attribute about it being the shadow economy—it does not pay taxes. Why does it not? (Of course, I do not rule this out: There will always be a group of entrepreneurs which evades the payment of taxes.) We have now forced the economy into the shadows by the power of the law. Still, nobody has tried to calculate, for example, that banks have to pay taxes at a rate of 110 percent of profit, that is, more than they have. Nobody wants to listen, after all, to the following arguments (even without correcting or rejecting them, because it is impossible to object): If the fixed exchange rate of the coupon against the dollar is 17,500 karbovantsy, while I buy, say, at 40,000 karbovantsy, the difference may only be obtained from the shadow economy. At present, about 40 percent of funds circulate in the shadow economy. Strange as it might be to say this, this gives us grounds for optimism: That economy works and it will work. The fact that foreign exchange does not "circulate" legally, through banks in our country, is yet another confirmation of shadow relations. Why? Because the turnover of dollars, rubles, and marks outside the banking system is the same and sometimes greater than in the banks. This has never happened anywhere in the world. It has happened here.

[Yashchembska] Therefore we have further proof that it is necessary to urgently pass a law on currency regulation (certain influential forces in the parliament are persistently hampering it). Does the absence of such a law influence the legal economy, too?

[Pynzenyk] I went to Kherson recently. The Kherson Shipbuilding Association is a case in point and proof of that. It operated almost entirely for export. Exports are now being stopped. The enterprise has nothing but losses.

In general the main items of export potential in our country are unprofitable. When we were discussing this problem in a Supreme Council commission some deputies stated an idea: Why manufacture these pipes or metal?—We are not going to eat them. Indeed, their significance on

the domestic market is limited. However, metallurgy, chemistry, and machine-building generated the bulk of export revenues for us; without them there would be no oil, gas, or timber, but most of the exported items are unprofitable for the producer. The fixed exchange rate of the karbovanets against the dollar, which is approximately three times lower than the real rate, is one of the main reasons for this. Our domestic prices have already caught up with world prices because they are determined by oil and gas. Domestic technologies and equipment are much worse than those in the world, and therefore products are more expensive, and then there can be no competitive goods.

Costs are reduced at the expense of wages. What do I mean? Wages are not paid at the full rate in our country. Some of the funds generated are provided through preferential arrangements: rents, water supply, gas, and so on. If such subsidies were included in wages, their amount would increase considerably.

[Yashchembska] It should be understood that in this case the unrefined and imperfect legislative base is, once again, a factor. Or else it can be assumed that the impoverishment of the population, inflation, and other hardships are advantageous for a certain group of influential people.

[Pynzenyk] I do not reject the thought that certain forces that are interested in inflation are at work in Ukraine. As it were, there is a possibility for great enrichment in it, just like, for example, in the fixed exchange rate of the coupon against the dollar; I will repeat that I do not rule out the existence of a certain group of people who have gotten a taste for inflation and know how to exploit it.

As far as the legislative base is concerned, I can say that the parliament still has not adopted any good, effective solution for the economy. We have already mentioned how the adoption of the law on currency regulation is being hampered (the Supreme Council at long last discussed this draft law at a joint meeting of commissions on 7 July—note by Iryna Yashchembska). The situation is the same with the other regulatory acts. In essence, a struggle against consequences rather than causes is underway. The deputies do not want to go all the way to the causes. To be sure, there is some movement, but to what degree will it manifest itself in reality? Unfortunately, in the current parliament I saw something that I could have never expected: voting on command. As long as discussion is underway, they understand and support you. However, it comes to the vote, and then...one person strictly controls another. Will this last long? I think that a certain proportion of deputies may take a firm position and stop dancing to someone else's tune. Contradictions are already coming to the fore. However, it is unpleasant that such experiments take place. There are no specialists; as always, competence is lacking.

[Yashchembska] So, what are we to do in order to remain Ukraine and develop along a civilized path?

[Pynzenyk] I am confident that Ukraine will live on. It is just that what is it going to be? We have to primarily rely on ourselves. If the situation deteriorates, I do not think that someone will take us in tow. Russia will not be in a hurry, either. At present Russia itself does not have it easy, either, and let us stop expecting presents from Russia such as the Russian budget assuming the deficit of Ukraine's balance of payments. Moreover, when negotiations on economic union were underway, there was not even a discussion as to the free movement of the ruble. This meant: You live off the exports.

I believe that our society is not quite ripe for changes and wants the shock of marking time yet again. This is bad because from the standpoint of normal sense it is better to improve the economy now. However, the population did not give the votes to the specialists. I am certain that no voters believed the promises that sausage would cost 2 karbovantsy. However, this was pleasant to hear. So, they got elected. The ideological involvement of the current parliament is one order of magnitude greater than that of the last one. All constructive discussions are immediately reduced to politics. There is a lot of clamor. So far the decisions have not differed from those of the previous parliament. A few days ago they passed yet another emission—for science. Nobody tried to understand why science has no funds. Indeed there are spheres that cannot make money, and they should be supported: science, education, culture, health care, the army, state service, the poor—it is for them that taxes are collected and the budget is drawn up. In our country it happens the other way around. Science will never have funds as long as one-third of the state budget goes to those who pay taxes, of which, let us say, 12 trillion karbovantsy (close to one-third) is in the form of loans from the budget which are granted at 3, 5, or 10 percent interest (large amounts of dollars are made that way). What science has been given today (and what education will be given tomorrow and culture the day after) merely spurs on inflation in the current structural processes, and this means still greater impoverishment of employees in science.

[Yashchembska] What do you propose? How is this situation to be overcome?

[Pynzenyk] If there is a pie, it should be carved properly. Funds from the budget should be spent only for the budget sphere. Besides, we should distribute only what we have. When money is distributed more than is available, speculative processes begin. It is necessary for us to grasp firmly: Exactly as much is to be issued from the budget as there have been pretensions, and only to those to whom these funds have been allocated. To be sure, another aspect of the problem emerges here: the tax policy. At present, withholding taxes on enterprises are extremely high. Even funds that should go to direct reproduction are taken away. Therefore, enterprises turn to the state in order to replace, for example, equipment. Consequently, the tax policy is in need of a complete preview. This is one of the foremost items in my proposals. Economic measures which may overcome the crisis in Ukraine.

[Yashchembska] How will the program for building up the state which has been proposed by Supreme Council Chairman Oleksandr Moroz facilitate an improvement in the situation in Ukraine?

[Pynzenyk] In essence, it changes nothing.

What do we have at present? Almost everything is controlled: exports, prices, and domestic production through state requisitions. As a result, it gets still worse. Furthermore, there is a trade monopoly. It is needed for just one thing: to line the pockets of officials. Only in theory can such processes be controlled, and then only if inflation is absent, because if prices changed every two weeks, about 15 million people would be needed for such supervision (18 million are employed in production). Who is going to work then, and where are we to get such a number of honest people? For example, I come to inspect a warehouse and find electric bulbs at 40 coupons and a car worth 1 million there. I see grave violations—it was necessary to revise prices. Meanwhile they suggest that I personally take the car for 1 million. Perhaps there is just one person who would refuse. However, everyone else would take it. Given the existence of such wonderful conditions for bribery, reinforcing control will merely reinforce corruption, whereas corruption means redistribution of the income of citizens.

Yesterday one of the deputies pondered the possibility of control over privatization and indexation of earnings. I believe that if privatization is stopped to some degree at present we should honestly tell the people: We are cheating you, and you will never get your share, or will only get the leftovers. First we will eat the meat and then we will toss you the bone.

For a long time state property has been used here as private, free of control. Why change something if one official or another already uses property in private interest without having paid a single kopek? This is how misappropriation occurs. But what is property? The right to appropriate proceeds from this property. Here it is. In our case there are no property rights, but there is appropriation of proceeds. There are many ways to appropriate them. I will note further that in the event of control, privatization will occur in an underground manner (to be sure, it is already proceeding this way now).

The proposal to index the funds saved by the people, to distribute the funds as credit resources, is deceit yet again. That is to say, give something with one hand as it were while making the people still poorer with the other. Why still poorer? Because each cycle of inflation which is associated with income means a progressively worse standard of living for the population. Wages in real terms fall continuously after that, and prices take off. Here is the only chance to make losses on their savings up to people—through their indexation and inclusion in the property certificate. I have been receiving voters, and 90 percent of them come on account of the housing problem. Why should such people not be issued certificates for property, for apartments?

However, at present many of our ideologists are beginning to talk about a moratorium on privatization. In view of the corrupt nature of privatization, this means just one thing: Privatization will continue in an underground manner.

[Yashchembska] Viktor Mykhaylovych, what are your predictions as to subsequent ways to overcome the economic crisis in Ukraine?

[Pynzenyk] Everything will depend on parliamentary decisions. So far the necessary decisions have not been made. People are used to seeing things and problems the way they appear on the surface. This is why they fight the consequences. It is hard to expect the advent of radical measures in the immediate future. However, I think that the current authorities will not last because their policies are bringing about the impoverishment of the people and the growth of social tensions. Forces will definitely appear that will be capable of changing the situation radically. However, at present the array of forces is not conducive to this. To be sure, to a certain degree a movement in public consciousness is taking place. For example, in some cities of the Donbass noncommunists have won.

[Yashchembska] How do you explain the fact that close to 10 percent of the voters voted in favor of Leonid Kuchma in Western Ukraine?

[Pynzenyk] Could it be that they did not vote for L. Kuchma but rather against L. Kravchuk? And that they gave their votes to L. Kuchma only because he alone had a real opportunity to compete with the current president? People cannot be satisfied with the economic condition of the country. Of course, it could not have been ideal. However, I have grounds to say that it did not have to be this way, either. For example, wages in Ukraine could amount to \$90 rather than \$22.

[Yashchembska] To your mind, will Prime Minister of Ukraine Vitaliy Masol be able to solve this problem?

[Pynzenyk] I listened to the prime minister's presentation. It was not bad. It could be interpreted thus: Either he had changed his views, or it was necessary for him to gain the votes of the right by a nice presentation. Let us assume that his intentions are in line with his presentation. Although it is virtually impossible to make the necessary decisions given the current state of affairs, V. Masol would still have a better opportunity than anyone else. Such is the membership of the parliament. Prime Minister Masol is well received there. However (I will repeat myself), for now it is unrealistic to expect shifts. [end Pynzenyk]

Toward the end of the conversation, Viktor Pynzenyk added:

"Communism can no longer be built in Ukraine. However, things can be made worse, and apparently they will get worse. Perhaps it is our lot that we must go through the collapse and fall to the very bottom of the precipice in order to embark on the way up (I will recall that such ways are already known). Attempts by certain political forces to turn society backward will compel us to search for a way

out as soon as possible. The economy in Ukraine is to become stable, balanced, and socially oriented."

Communications Tariffs to CIS Increase

944K1823A Simferopol KRYMSKAYA GAZETA in Russian 16 Jul 94 p 1

[Report by press center of the Ministry of Communications of Ukraine—UKRINFORM: "Rates of Electronic Communications Services with CIS Countries"]

[Text] Rates for telephone and telegraph communications services with the CIS countries will go up effective 16 July. This was brought about by a decision of the CIS countries to switch, effective 1 May, to mutual settlements according to international principles, on a partnership basis, through the establishment of settlement rates (prices) in U.S. dollars.

In particular, according to the rate approved in December 1993, for a minute of use of the telephone network the Ministry of Communications paid Russia 1,030 karbovantsy (\$0.04 at the exchange rate at the time), and now this sum has increased to 8,000 karbovantsy (\$0.20 at the current exchange rate). And it is not mainly the operating costs of the communications enterprises of Ukraine that have increased but the amount of payment for the use of Russian communications networks, which automatically gives rise to another increase in rates.

While during all of 1993 Ukraine paid Russia \$1.9 for the use of the telephone network, during the first quarter of this year alone we had to transfer \$935,000. The Ministry of Communications had to purchase it on the currency market of Ukraine at the exchange rate for free sale of foreign currency, which is fixed by the National Bank of Ukraine, with dollars obtained at a loss at previous rates.

Rates for telegraph communications with the CIS countries are formed in exactly the same way.

The users will pay for telephone and telegraph communications services with the CIS countries in the national currency (at the current exchange rate of the Ukrainian karbovanets to the U.S. dollar).

Effective 16 July the cost of one minute of conversation with subscribers from the CIS countries will be:

FOR A DISTANCE of up to 3,000 kilometers:

for the population—8,000 karbovantsy (\$0.20), and for the business sector—16,000 karbovantsy (\$0.40).

FOR A DISTANCE OF MORE THAN 3,000 kilometers:

for the population—12,000 karbovantsy (\$0.20) and for the business sector—22,400 karbovantsy (\$0.56).

For state administration offices financed from the budget, 12,000 karbovantsy (\$0.30) for a distance of up to 3,000 kilometers and 16,800 karbovantsy (\$0.42) for a distance of more than 3,000 kilometers.

Where direct automatic communications channels exist between the border oblasts of Ukraine and CIS countries, the level of the rate for telephone communications for the population and the business sector of these oblasts, in these directions, will be reduced by 20 percent of the base rate.

The rate per word in a regular telegram for the population will come to 2,000 karbovantsy (\$0.05), for the business sector—4,000 karbovantsy (\$0.10), and in an urgent telegram the rates will be doubled as appropriate.

A word in a regular transfer telegram by banks will cost 12,000 karbovantsy (\$0.30), and in an urgent telegram—two times more.

A telegraph fee of 2,000 karbovantsy (\$0.05) for the population and 4,000 karbovantsy (\$0.10) for the business sector has been established for all types and categories of telegrams.

At the same time, the following relief will be granted to the population

the rates for telephone calls to CIS countries at night (between 2300 and 0600) and all day on Sundays and holidays will be reduced by 20 percent;

the rate per word in a regular or urgent telegram with an emergency message (illness, death, natural disaster) will be reduced by 50 percent of the base rate.

Donetsk Suffering from Water Shortage

944K18211 Donetsk *VECHERNIY DONETSK*
in Russian 20 Jul 94 p 1

[Article by I. Klementyeva: "The Heat Drank the Water"]

[Text] *Because of weather conditions a catastrophic situation with the water supply has developed in the city:*

The heat has been "scorching" for several weeks. The thermometers can barely stand it in the sun: Their columns rise to the 35-45 degree mark. Brooks and rivers that feed drinking water into special accumulators are drying up.

During last week alone the water supply dropped by several levels.

Day before yesterday V.V. Rybak, chairman of the city council, held another emergency conference regarding this issue.

Here is what M.S. Moiseyev, director of the state municipal enterprise Donetskgorvodokanal, had to say about the situation that has developed:

A daily water consumption of 600,000 cubic meters is no longer enough for our growing city. New capacities are under construction, but because of the lack of the necessary funds it will be possible to solve this problem by perhaps no more than 70 percent. A great deal today depends on our debts. Since January consumers owe our administration 160 billion karbovantsy, which is almost as much as we owe. Nonetheless, the construction of the water facilities is continuing: We just put the northern unit in Kiyevskiy Rayon into operation. And this is the only place where the residents and enterprises cannot complain about a lack of water today. But the situation is worse in other rayons. The situation is especially difficult in Petrovskiy Rayon where drinking water is delivered to residents of multistory buildings by dozens of milk trucks.

Water consumption has increased sharply because of the recent hot weather, especially in places where there are individual buildings. We checked and in many of the yards of these buildings the hoses for irrigating the gardens are "working" constantly.

It is no secret that we must economize on water: without rain we have nothing to add to its supplies. In order to provide water for the city the city executive committee has introduced instructions to release water according to a schedule in all rayons: from 0500 to 1000 and from 1800 to 2100.

The heat is not subsiding. And the predictions of the weather forecasters are not encouraging. Therefore there is only one thing we can do: be patient.

We will wait for the rains.

Decree on Drought Assistance to Agriculture

944K1844A Simferopol *KRYMSKIYE IZVESTIYA*
in Russian 21 Jul 94 p 1

[“Decree of the Government of Crimea: On Assistance to Kolkhozes and Sovkhozes Adversely Affected by Drought in 1994” dated 14 July 1994, Simferopol, No. 97]

[Text] Because of the unusually severe drought that has affected Chernomorskiy, Razdolnenskiy, and a considerable number of farms in Sakskiy, Pervomayskiy, Krasnoperekopskiy, and Dzhanikoyskiy Rayons, a considerable part of the grain, vegetable, fruit, grape, and fodder crop has been ruined; as a result, kolkhozes and sovkhozes have found themselves in an extremely strained financial situation.

For the purpose of providing practical aid to farms adversely affected by the drought, the Government of Crimea

resolves:

1. The Republic Bank of Crimea is hereby instructed to open for the Ministry of Agriculture and Food a current account for the receipt of money from donations from organizations and citizens wishing to aid farms adversely affected by the drought.
2. The Ministry of Finance (Zaytsev) shall organize a campaign for collection of money in Russia to aid farms adversely affected by the drought. The Republic Bank of Crimea is instructed to open for the Ministry of Agriculture and Food a ruble account for receipt of the aforementioned ruble funds.
3. The Republic Bank of Crimea shall publish weekly through KRYMSKAYA GAZETA a list of organizations and citizens who have contributed assistance to the farms.
4. Unused means of the government's reserve fund in the amount of 6.8 billion karbovantsy, and money freed through planned reductions in force being implemented in bodies of state executive authority, shall be directed to assistance to farms adversely affected by the drought.

5. Kolkhozes and sovkhozes adversely affected by the drought (see attachment) shall within five days submit statements of loss to the Crimea Ministry of Finance.

The Ministry of Finance shall prepare proposals on partial reimbursement of losses.

6. City and rayon executive committees shall finance on a priority basis arrears on the part of budget organizations in the drought region in order to settle accounts with kolkhozes and sovkhozes.
7. The Crimea board of directors of the NASK [National Joint-Stock Insurance Company] Oranta shall advance in August-September some of the insurance reimbursement to farms that sustained the most damage.
8. The Ministry of Agriculture and Food and the Crimea Elevatorzernoprom Industrial Association shall procure 28,100 tonnes of winter and spring grain crops seed to ensure winter grain planting and stockpile seed and insurance reserves.
9. We ask the Government of Ukraine for the following:
 - a) to permit the allocation of winter and spring grain seed to farms as a loan in kind, to be repaid out of the 1995 crop;
 - b) to postpone the deadline for repayment of loans taken in order to purchase seed until September-October 1995;
 - c) to write off short-term loans received from the state budget and bank;
 - d) to grant an exemption from contributions to the budget fund for liquidation of the consequences of the Chernobyl catastrophe.
10. The government shall resolve the question of postponing until next year's crop the repayment of advances received on condition of undertaking a state contract for grain and oil-bearing crop deliveries in a total amount of 57 billion karbovantsy for 37 farms that are unable to ensure deliveries to meet obligations under the state contract.
11. A request is hereby made to the governing board of the NASK Oranta to allocate money from reserve and fall-back funds to aid farms adversely affected by the drought.
12. In order to avoid a mass slaughter of the cattle herd and a decline in its productivity and condition, a request is hereby made to the Ukraine Cabinet of Ministers to issue a decree on allocating to the republic 20,000 tonnes of dry marc and 10,000 tonnes of molasses.

[Signed] Deputy Prime Minister of the Government of Crimea Ye. Saburov

National Bank Head on Banking System in Market Economy

944K1305A Kiev *EKONOMIKA UKRAYINY* in Ukrainian No 3, Mar 94 pp 3-17

[Article by V. Yushchenko, chairman of the Board of Directors of the National Bank of Ukraine: "Ukraine's Banking System in a Market Economy"]

[Text] Ukraine is going through a difficult transitional period to a regulated market economy, marked by the emergence of new economic phenomena, relations, and institutions that are normal for countries with developed economies. The linchpin of this kind of economic infrastructure is the banking system, whose establishment and turbulent development we are witnessing today.

The creation of the National Bank of Ukraine [NBU] in September 1991 laid the foundation for a classic two-tier banking system, comprised, on the one hand, of a central bank as the principal banking institution that serves as the state's emissions center and is responsible for managing the country's entire monetary and credit system (by virtue of its primary function, a central bank's purpose is not commercial activity or profit-making) and, on the other hand, a banking system made up of a network of commercial banks and quasi-banking institutions whose purpose is to provide banking services for the country's population and economy in an atmosphere of healthy competition and to create the necessary conditions for the stabilization and gradual growth of the national economy.

In our view, there is no viable alternative to the strategic choice of a two-tier banking system. We see proof of this in Western practice as well as in the example set by East European states that are conducting market reforms.

The National Bank of Ukraine is the central bank of Ukraine and its bank of issue. It pursues a unified state policy in the spheres of monetary circulation, credit, and the creation and strengthening of a national monetary system, organizes interbank clearing operations, coordinates the activity of the banking system as a whole, and establishes the exchange rate of the national monetary unit against the currencies of other countries. The National Bank creates the state treasury and organizes its activity; it holds the reserve supplies of bank notes, precious metals, and gold reserves. In accordance with acting legislation, the NBU administers the gold reserves of Ukraine which it holds and conducts operations involving the distribution of Ukraine's official gold reserves either independently or through banks that it authorizes to conduct foreign economic transactions.

In a transitional economy, the primary tasks of the NBU as the bank of an independent state are to ensure the stability of the national monetary system and maintain the solvency of the population and of priority production sectors, and, in the long term, to create civilized financial and currency markets, an infrastructure of banking and credit institutions, and ensure Ukraine's gradual entry into international financial and credit markets. To enable it to

perform these functions, the NBU's independence as a central linchpin of the banking system is of critical importance.

Let us examine some aspects of the NBU's independence. In most economically developed countries, central banks do not belong to the state and do not serve as "pocket" banks for the government. They draw a clear distinction between the state's monetary system and its budget, and there exists a rather complex mechanism for financing the budget deficit that relies on government securities.

Countries with developed market infrastructures have accumulated a great deal of experience in forming central banks and granting them independence. The independence of the central bank is not only an "independence by definition" in the economy but also a factor that is of great political and economic significance to the development of a market infrastructure. This matter needs to be resolved not only in Ukraine but also in other CIS countries, and this must be recognized at the initial stage of economic reform. In addition to its "charter independence," a central bank's independence involves the concept of an "independent monetary policy." The result of pursuing such a policy is public confidence in the central bank's decisions.

It should be noted that the International Monetary Fund, which compared inflationary processes in the operations of the central banks of a number of countries for the period between 1960 and 1989, concluded that independent central banks operate at a lower rate of inflation. Moreover, these banks demonstrate that there exists an important inverse correlation between the independence of a central bank and inflationary changes.

One factor in the independence of a central bank is the mechanism of concrete ties with the government. There is no question that in conducting monetary policy the central bank must consult with the government and coordinate economic policy with it.

For example, the Bundesbank (one of the most independent central banks) is responsible under the law for setting monetary policy; yet, at the same time, it is obliged to support the principal goals of the German government's economic policy within the limits of its tasks. The German bank is an extension of executive power; it is organically interwoven into the system of coordinating actions and ensures that its activities accord with the government's economic policy through regular bilateral consultations. For example, the government invites the bank president to take part in the discussion of matters relating to monetary policy, while members of the government take part in the meetings of the bank's highest governing body—the Consultative Council.

The experience of many economically developed countries shows that central banks that are officially independent pursue more consequential macroeconomic objectives. For example, the primary goal of the Bundesbank is to ensure the stability of prices, a high employment rate,

external balance, and a steady rate of economic growth, and the objective of the central banks of England and Japan is to promote the prosperity of the population.

The status of the National Bank of Ukraine is defined by the Law of Ukraine "On Banks and Banking Activity," in accordance with which the National Bank is accountable to the Supreme Council of Ukraine. Thus the first step to make the NBU independent has been taken.

The acute need for highly qualified personnel emerged as soon as the first steps were taken to create a national banking system in Ukraine. The NBU (until then, Ukraine had what was in fact a branch of the State Bank of the former USSR) was faced with completely new tasks, which no one in the country had previously had to perform. For its part, the transition to market relations created new requirements with respect to personnel, and this affected the formation of personnel policy.

The main components of this policy are: first, the creation of suitable conditions for bank employees to work, study, and improve their professional skills; second, continued work in the field of painstaking selection of highly qualified banking professionals, especially people who know foreign languages; third, engaging in a parallel effort to replenish the work force utilizing the experience of highly qualified professionals and the skills of young specialists, who must continually and gradually reinforce the existing personnel potential.

It should be noted that today the National Bank has nearly 11,000 employees working in the central organization and 36 institutions. Of this number, 81% are specialists, most of whom have a higher education in banking. The central apparatus alone employs 27 doctors and candidates of sciences.

Obviously, just staffing banks with highly qualified specialists does not mean that a real collective has been created. A collective is not just a group of specialists; it is a creative body of individuals who share the same views in the right sense of the word and who are psychologically compatible. This is not something that is accomplished in a year or two. What is needed is a long-term, purposeful effort by the management and all those comprising the collective.

Personnel for Ukraine's banks are trained at the Kiev and Odessa state economics universities, the Ternopil Institute of the National Economy, the economics departments of universities, as well as the Lviv, Kharkiv, and Cherkasy technical schools of the National Bank. These educational institutions are able, for the most part, to satisfy the requirements with respect to training specialists for the National Bank as well as for Ukraine's commercial banks. Each year they train more than 4,000 higher and secondary level specialists. Ukraine's banking system employs 117,000 persons, of whom nearly 80,000 are specialists. In other words, the entire staff can be replaced over a period of 20 years. The urgent problem of today is not a lack of specialists but raising the standards of their training.

However, the reorientation of the teaching process to take into account the requirements stemming from the transition to a market economy is proceeding slowly, and the necessary retraining of teaching personnel is not being ensured. The material and technical base of educational institutions needs to be strengthened. In recent years, some state unspecialized and private educational institutions have also begun training specialists to work in commercial banks, and this further lowers the level of training of banking professionals in Ukraine.

Since the middle of 1993, advisers from Great Britain have been working in the technical schools under the jurisdiction of the National Bank. Their proposals are now being generalized, and an appropriate program will soon be approved. This program includes the most diverse forms of assistance: curriculums, new textbooks, equipment, practical training abroad, instruction in foreign languages, etc.

It should be noted that the training of banking professionals should be conducted by specialized educational institutions—a point stressed by the advisers from Great Britain. These include our higher learning institutions of economics in Kiev, Odessa, and Ternopil and the three technical schools under the jurisdiction of the National Bank. It is necessary to create a special program for the training of specialists to suit present-day needs. The Ministry of Education, the National Bank, and the commercial banks need to focus their attention on this. I think that we also need to focus on the need for mini-schools to train employees while they work at their primary jobs. The Prominvestbank and Ukrayina banks have such schools. In fact, the National Bank also has such a school, but, owing to a lack of available premises, it has not yet been fully established. Instruction is provided in fields involving professional matters, the use of personal computers, foreign languages, improving Ukrainian language skills, etc.

However, in parallel with this, the main emphasis of all Ukrainian banks should be on the training of specialists specifically in the educational institutions named above. The same approach should be taken to improving the skills of banking professionals. Many commercial banks are urging the same thing. The NBU receives letters from them with offers to join forces in organizing the improvement of the qualifications of specialists. This is already being implemented in practice: The National Bank has organized and conducted a number of seminars, and more are planned for the future.

Departments for improving the skills of banking specialists have been established at the Kiev and Odessa state economics universities, the Ternopil Institute of the National Economy, and Lviv University, as well as courses at the Kharkiv Oblast Administration of the National Bank. Every year nearly 20 percent of all specialists in the banking system improve their professional skills. This includes those that engage in study and practical training abroad.

A policy of creating training centers for Ukraine's bank employees, especially managerial personnel, is being gradually implemented. This was the objective of the decree

issued by the Supreme Council on 17 November 1993 to create the National Center for the Training of Banking Personnel. The National Bank, the Ukrayina Bank, the Association of Commercial Banks of Ukraine, and the Institute of State Administration and Self-Government of the Cabinet of Ministers of Ukraine were designated as the founders and coordinators of the center. This center, which is currently in the process of being organized, is charged with training and improving the qualifications of leading workers and specialists at Ukraine's banks, conducting scientific research, and providing consultative services on banking affairs.

In 1992 the Kiev State Economics University and the NBU jointly drew up plans for the creation at the university of the International School of Banking and Finance to serve as the base for improving the qualifications of teaching and banking personnel. These materials were submitted through the National Center for the Implementation of International Technical Assistance to the Economic Commission of the EC, which approved them. A program of seminars is currently being worked on jointly with the university and the EC representatives. The school is expected to begin training specialists in the first half of 1994.

In order to develop a single national policy on these issues and in accordance with the State National Program "Education" (Ukraine in the 21st Century), a program for the training, retraining, and improving the qualifications of bank specialists for Ukraine's banks is being prepared for 1994-2005, which will take into account the changes in banking resulting from the transformation of Ukraine's economy into a market economy, as well as foreign practice in the training of banking professionals. The program will provide for the needs of Ukraine's banks for specialists with the necessary professional qualifications and skills; include plans for the enrollment of students and for the educational institutions that will train specialists; and include educational institutions for improving the qualifications of bank employees and the preparation of instructional and methodological literature.

We are currently faced with an objective task—to establish a modern national banking system in the shortest time possible.

Ukraine's banking system is developing by means of a reorganization of the infrastructure of the State Bank of the former USSR, which was a monopoly and left behind an inflexible internal structure that is not suited to today's economic requirements (the conservatism of bank employees, obsolete technical equipment, no system for training market economists, and an undeveloped infrastructure). Generally speaking, banks suffer the same reform diseases as the economy as a whole, insofar as they all function in the same environment.

The first steps to restructure the banking system were taken back in 1987, when the banking system of the USSR (the State Bank, the Construction Bank, and the Foreign Trade Bank) was reorganized and five specialized banks were formed: the Foreign Economic Activity Bank, the

Industrial-Construction Bank, the Agro-industrial Bank, the Bank for Residential Housing and Municipal Services and Social Development, and the Savings Bank. The tasks they were charged with suited the belief of the period that the socialist economy had to be injected with controlled doses of market elements. But the state monopoly of the center over the banking system remained. Independent Ukrainian banks were established after the proclamation of the Declaration of the State Sovereignty of Ukraine in 1990, and real reform of the banking system began following the passage of the Law of the Ukrainian SSR "On Banks and Banking" (still in force even though it contradicts numerous normative acts passed subsequently). For the first time, a new legal basis provided for the economic independence of banks, which were no longer responsible for the liabilities of the state.

By the end of 1993 more than 200 banks of various kinds and forms of ownership were registered in Ukraine. A procedure was worked out for reregistering existing banks and registering newly established banks, and a procedure for registering banks with foreign capital was adopted.

Given the number of commercial banks, it is not a matter of a "sufficiency level." The problem lies elsewhere: Most small and even medium-sized banking institutions still cannot perform the full range of commercial bank functions. Only some of them could operate at close to or up to universally accepted standards.

In this transitional period (as it progresses from a rigid administrative system of economic management to a market economy), the banking system must not only solve its own "internal" problems but also promote reforms of the economy as a whole.

To begin with, it must ensure an economically justified (both for the short and long term) distribution of financial resources and stimulate rather than stifle competition, privatization, and the restructuring of price formation and price proportions.

Second, the banking sector must maintain the monetary and credit system in a rather stable condition by, among other things, putting up obstacles to the uncontrolled growth of the budget deficit and the spiraling of hyperinflationary processes. As already mentioned, an essential prerequisite of this (albeit one that is not always enough) is the independence of the National Bank in its relations with the government.

Third, banks must create conditions for "opening" the economy by providing services that make possible the international movement of goods, direct and "portfolio" investments, and the work force and by promoting the transition to a convertible national currency.

Fourth, by its very nature, banking must not only ensure financial discipline but also teach clients (individuals, enterprises, the state) to count money, which ultimately develops the ability to think in economic terms by developing an enterprising mentality in all entities comprising the national economy.

It is generally known that the monetary and credit sphere of the economy is more mobile by nature than the goods production sector. The costs and time needed to create a new product in this sphere are much lower than, for example, in industry, where the quality and structure of fixed capital, the difficulty of changing technologies, and established corporate ties play a decisive role. Herein lies one of the arguments in favor of accelerated reform of the credit and finance system, the banking sector, and then using it as the "engine" for transforming the economy. Expanding the supply of services to clients (both enterprises and individuals) by financial institutions should promote the formation of a money market and a capital market, facilitate privatization, optimize the system of the distribution and utilization of resources, and encourage price proportions in the economy.

Obviously, a more dynamic and targeted course of reforms in the monetary and credit sphere would allow the economy as a whole to get through the transitional period less painfully. The inflation resulting from the budget deficit and the dependence of state enterprises on credit resources might have been less dramatic had the relations between the National Bank and the government been structured on a qualitatively new basis before prices were liberalized—on such principles as issuing government credits in the form of securities and the implementation of a better defined structural policy.

The stability of the monetary system depends on the general condition of the macroeconomic balance and on the mechanism for the flow of capital, which ensures the integrity of the economic system. In addition, the drop in the purchasing power of money is linked to the rise of persistent monopolistic relations in the economy. Thus inflation is primarily of a financial reproduction and production nature rather than of a monetary character. Consequently, the battle against it should be waged by making the whole economy sound and creating a new economic environment.

Another problem is the unjustifiably close link between bank and industrial capital. Nearly four-fifths of the charter funds of existing commercial banks were formed from funds contributed by state enterprises. The desire of the latter to create "pocket" banks is quite understandable. The founders are interested not only in making a profit on their invested capital but also in improving the quality and efficiency of bank services for themselves. We cannot ignore the fact that there are simply no other "free funds" available in the state economy to be used as sources of money to create the charter funds of newly founded banks. But this kind of "participation" by state enterprises often results in the loss of independence by banks and the loss of any interest in working with independent clients. Naturally, this system of "special" relationships with client-founders does not foster a conscientious organization of banking practices and allows for preferential access to a bank's resources.

The slow pace at which a competitive environment is developing in the banking sector—one cause of which is

the slow pace of privatization in the economy as a whole—has led to the devaluation of the very concept of a "commercial bank," inasmuch as many organizations that are called commercial banks have in fact failed to introduce the necessary standards in loan and deposit and payment transactions and ignore such banking norms as trust, knowing their client, and other principles of management and marketing.

One aspect of the effectiveness of banks has been the growth of their prestige among enterprises, government organs, and the population at large. Negative attitudes to commercial banks have recently increased among enterprise directors because of the high cost of credit, a shortage of resources, delays in payments, and poor service, and, unfortunately, we must admit that in many cases this criticism is quite justified.

The directors of many enterprises complain that instead of investing resources in production, banks mostly finance trade and middleman operations. This policy on the part of banks results in inflationary processes and involves a high degree of risk. On the other hand, it is a fact that the overwhelming majority of banks are involved in one form or another in industrial and agricultural production. But all bankers need to realize that the success of reforms and solving the crisis depends on the state of the economy. Consequently, extending credit to production must be a top priority in their activity.

At the same time, it is necessary to explain to the economic organs in an intelligent fashion that given the high rate of inflation and the interest rate set by the National Bank, credit cannot be cheap. But commercial banks must not become carried away by the high margin and charge large commissions for services, even if these things are regulated by demand. There must be justice and moderation in all things. We are creating a new national banking system and are therefore obliged to found it on sound and civilized principles. The main problem facing Ukraine's banking system for the near future is to overcome galloping inflation and stabilize the national monetary unit—the coupon-karbovanets. Obviously, monetary factors alone cannot overcome inflation in these conditions—in other words, it is not possible to stabilize the monetary system unless the economy is stabilized, and the stabilization of the economy depends on a stable national currency. Therein lies the difficulty of conducting the coming monetary (hryvnya) reform.

The macroeconomic situation in the national economy of Ukraine at the end of 1993 can be described as hyperstagflation, in which a substantial drop in production is combined with inflation, which averaged 42% per month in 1993. At the same time, the National Bank is pursuing a policy designed to curb the money supply, which grew at an average monthly rate of 27% during the same period. Some improvement was observable in November of last year when the fact that there was no credit emission carried most weight and signified a real step in the direction of improving the situation in the Ukrainian economy.

It should be noted that there was a significant increase in inflationary factors at the end of the year. This was reflected in a drop in production, further impulsive structural upheavals in the national economy, disproportionate price rises in the different branches of the economy, financial disproportions, a growing deficit in state finances, an increasing number of negative phenomena in the consumer sector, and a negative trade balance. The deficit in the balance of payments as regards the movement of payment transactions amounted to 21.6% at the end of last year.

A key feature of the current economic crisis is the fact that the production decline is accompanied by a significant growth of production profitability. This indicates that enterprises are consciously exploiting the price factor to improve their own financial situation, and this acts as an additional factor of inflation. At the same time, an analysis of monthly profitability indicators reveals that essentially enterprises in various sectors of the economy have joined the price race, in which the winners are not those who produce more and better goods but those who succeed in setting higher prices.

Significant financial imbalances are emerging in the sphere of state finances. The consolidated budget deficit for January-October exceeded the limit approved by the Supreme Council for the whole of 1993 threefold. The total deficit of state finances at the beginning of November equalled 39% of the total money supply. These funds that have been put into circulation without an equivalent supply of goods constitute the basis of the inflationary potential and produce an unremitting rise in prices. The halting of direct financing of the Ministry of Finance of Ukraine in November of last year had a positive effect on the total deficit of state finances, which dropped by nearly 500 billion karbovantsi as compared with September.

The indicated financial imbalances in combination with a significant rise in retail prices can produce the need in the very near future for new, even greater state expenditures in both the production (to correct the financial disproportions) and the nonproduction spheres (increases in current expenses, wages, and social benefits). In other words, the inflationary pressure of both the budget deficit and the overall deficit of state finances will undoubtedly grow in the near future.

Last year, average interest rates charged by commercial banks showed a firm tendency to grow and amounted to an annual rate of 295.1% at the end of December. At the same time, while the NBU's officially announced discount rate was 240%, it actually amounted to an annual rate of 28-32%. This was the result of the decisions made by the Supreme Council of Ukraine and the government regarding preferential credits to individual sectors of the economy. In addition, the Ministry of Finance and the Pension Fund also issue credits solely on preferential terms. The existing low interest rate does not adequately protect savings from inflation and therefore provides little incentive to keep money in banks, especially on term deposits, which results in the high liquidity of money in circulation. The amount of

this kind of money in the total money supply is quite high—approximately 70%—and produces a high inflationary potential in the domestic market.

In these conditions, the National Bank's policy as a whole was of a coerced nature; it consisted of reacting operationally to potentially explosive situations emerging in the economic and social spheres. Thus the system for solving problems that has developed here during the last two years boils down to the almost automatic adoption of decisions by the highest state organs charging the National Bank to issue new credit flows to cover all financial deficits.

Recognizing the danger that the continued spiralling of the money supply poses to Ukraine's economy, at the end of 1993 the NBU, acting within the limits of its jurisdiction jointly with the Cabinet of Ministers, was forced to halt the continued growth of this supply by adopting what were in effect extraordinary measures to temporarily ban the issue of credits. As a matter of fact, this ban has already been revoked.

The question arose: If the National Bank indeed wished to stabilize monetary circulation and wanted to implement effective measures to halt inflation, it simply had no choice: to resort or not to resort to emission [sentence as published]. Aware of the great responsibility and assuming part of the burden of solving the problem of leading Ukraine out of the deep crisis in which it currently finds itself, the NBU consciously took this difficult step. In doing so, we fully understood not only how unpopular this decision would be, but also that it would be harmful to a certain extent. This measure stripped commercial banks of the reason for their existence, because they lost their ability to make a profit. Enterprises of the national economy lost their source of financing to cover even working capital shortages.

But these harsh measures, which were applied in December 1993, made it possible to begin effective economic reforms leading to a market economy. The purpose of these actions is to achieve a gradual reduction of deficits in state finances by renouncing the monopoly of the state in various spheres of economic life. That is why the objective of the NBU's monetary policy at this stage was to ensure relative economic stability by stemming the rate of inflation by imposing justified curbs on the growth of the money supply in the form of basic monetary regulators instituted by the National Bank (including volumes of refinancing, refinancing interest rates, credit limits, reserve requirements, and the management of the circulation of government securities).

It was also impossible to prevent the "payments crisis" in the transitional period. Moreover, the problem of nonpayments arose not only in Ukraine but also in other CIS countries and even in East European states. When strict financial settlement discipline is not ensured, enterprises have no incentive to reorganize inefficient production and do not fear the threat of bankruptcy. Consequently, the principle of resource squandering is retained throughout the entire economic system. Two even more dangerous consequences of the payments crisis are spiralling inflation (as a

rule, it is impossible to prevent additional credit flows) or a return to direct goods exchange (barter) transactions.

The National Bank of Ukraine is applying urgent measures to restructure the payments system. These measures can be divided into the following categories: technological (introducing electronic payments), institutional (creating regional clearing centers), and organizational (certification of commercial banks, which will make them more accountable for organizing settlements, including payment discipline, as well as promote the creation of a competitive environment). For its part, the government must take steps to speed up to a maximum degree the separation of enterprise and state finances, introduce a real bankruptcy mechanism, and speed up the process of dividing up the shares of state-owned economic entities. The more slowly these processes are conducted, the longer we will have to resort to extraordinary measures—clearing operations supported by credit emission.

Ukraine faces an acute problem of international settlements. The solution of this problem requires concluding agreements, first and foremost with CIS countries, on creating a flexible and equivalent system of interstate settlements.

At one time, Ukraine was offered the opportunity to sign an agreement on an economic union of CIS countries and the creation of an interstate bank. But signing the agreement in the proposed form does not serve Ukraine's economic interests. This agreement does not clearly define the norms of cooperation and the mechanism by which this cooperation is to be implemented. It has the characteristics of a monetary union, which is premature at a stage in which national currency systems are being formed, and, moreover, it designates the Russian ruble as the settlement and monetary unit.

There is no need to explain that the country whose monetary unit is used as the common unit of settlement not only earns the entire profit from emission but also enjoys other unilateral advantages. We have in mind using the ruble as a means of manipulating the price mechanism, as an instrument for covering [Russia's] balance-of-payments deficit by redistributing the gross national product of other states, etc. On these terms there can be no balance or parity in economic relations. This was the role played by the ruble before the signing of the Minsk agreement, producing asymmetrical interstate economic relations and serving as the detonator of centrifugal forces, as evidenced by the virtual collapse of the ruble zone.

These observations are confirmed by world practice. In the currency system agreed to in Bretton Woods, the American dollar performed the same functions within the structure of the IMF as those now being proposed for the Russian ruble with the help of the Minsk agreement. The dollar was used as an international unit of account as long as it remained convertible into gold. This automatically gave it immunity against inflation, something that is lacking in the case of the Russian monetary unit. Of importance in this connection is the fact that when the dollar could no

longer be exchanged for gold at the beginning of the 1970's and began to fall in value, the countries of the world community rejected it as the international unit of account. Attempts were made to create monetary systems that would not bestow this kind of advantage on any one national currency.

Clearly we must look for a more constructive way in which to solve the interstate payments crisis. Most monetary groupings that exist in the world, including the European one, use supranational monetary units, whose value is based on a "basket" of the currencies of countries with the largest share in international trade.

The problem lies in establishing a mechanism for the functioning of a collective monetary unit (CMU) to ensure that it is symmetrical and relatively stable in our circumstances. It will be very difficult, assuming that it is at all possible, to calculate the amount of the CMU on the basis of the basket of national currencies as a weighted average amount of the purchasing power of the currencies of member countries taking into account their role (share) in the exchange of goods and services in conditions marked by a chronic instability of national currencies, sharp fluctuations in market conditions, Russia's tendentious price policy, an inadequate idea of the balances of payments because of uncontrolled flows of goods, etc.

In addition, the ability to solve crises (and not only crises) by additional emissions of the CMU will pose the same dangers as in the case of the ruble. And expanding the functions of the CMU and the sphere of transactions in which it can be used should a monetary agreement be concluded on the same principles as the IMF and the EEC (and taking into account Russia's quota in the distribution of this currency) will mean, given the weakness of the national currencies, the creation of a parallel monetary circulation, which will not strengthen the former in any sense.

The European Payments Union [EPU] of 1950 could serve as an example of how to regulate such problems. Using a multistage clearing mechanism, this union created a basis for economic cooperation in postwar Europe. The EPU existed until 1958. The question of forming a broad economic and monetary union of European states arose much later—after the national currencies had been made convertible and the member countries had established their priorities in the economic and military-political spheres. One of the principal objectives of this latter union was to oust the U.S. dollar from international settlements and to achieve European monetary stability.

Thus, at this stage we can only consider a payments union whose objective would be to establish the currency that would regulate the balances of payments of member countries on the basis of multilateral clearing. Within the boundaries of such a union, this currency would be used only as a measure of value and a means of settlement and have real backing. A payments union of this kind would be possible to join regardless of at what stage of introducing a national currency a country finds itself at the time.

At present, the problem of interstate settlements is being resolved by means of interbank agreements with CIS countries. In the second half of 1992, the NBU established correspondent relations with the central (national) banks of the countries of the former USSR. At the beginning of 1993, the NBU and the central banks of these countries concluded agreements on the organization of interbank settlements. These agreements provide for the extension of their effectiveness for the coming year.

At this time, in connection with the introduction of national currencies by the CIS countries, the National Bank of Ukraine has drawn up drafts of interbank agreements and submitted them for consideration to the central banks of the Republic of Kazakhstan, the Kyrgyz Republic, the Azerbaijani Republic, the Republic of Georgia, as well as the Central Bank of the Russian Federation. A new agreement on the organization of interbank settlements was signed with the Central Bank of Turkmenistan on 11 January 1994.

An important project designed to solve part of the problem in the field of domestic settlements is the new system of interbank settlements in Ukraine using electronic payments introduced by the National Bank of Ukraine. The principal instrument in this new system of interbank settlements is the creation of a network of clearing houses to effect regional and interregional settlements. Up to now this system has been adopted in Volyn, Zhytomyr, Zakarpattia, Lviv, Poltava, Odessa, Sumy, Ternopil, Kharkiv, and Chernihiv oblasts and in Sevastopol. It has enabled the settlement of accounts at a much faster rate than before, that is, the same day. Up to 80% of all banks use this system. The central clearing house works according to two systems—with documentary confirmation (intracity settlements) and without documentary confirmation (intercity settlements) using electronic mail.

On 1 January 1994, an accounting mechanism was introduced that requires the balance on correspondent accounts to tally with both the NBU's account and those of the [commercial] banks to within one karbovanets. This became possible when the system of interbank electronic settlements was adopted, because under this system, payment and confirmation of receipt are registered almost simultaneously. In other words, this eliminates the opportunity that banks had in the past to use the discrepancies in accounts to their own advantage. This was an important source of inflation. We are approaching the operating methods of civilized banks for whom the total amount available in the correspondent account is the limit within which they can conduct transactions.

Modern international technologies and standards are being introduced to improve the new system of interbank settlements. The goal is to gradually enable Ukraine's banking system to join the world banking system. For example, Ukraine's commercial banks can now use SWIFT, one of the most widely used electronic payments systems in the world.

It is not possible to reform the settlements system in Ukraine without introducing civilized means of payment.

The principal instrument of payment in the world is the bill of exchange. The use of bills of exchange in Ukraine's economic turnover is needed to improve the monetary and credit mechanism and make it more efficient, because bills of exchange serve as levers that can strengthen and stabilize the money and credit system, promote settlements discipline, speed up the circulation of working capital, and give commercial banks greater liquidity. The bill of exchange plays a very important role in trade turnover inasmuch as it is the most guaranteed means of demanding payment and transferring money from one place to another.

Bills of exchange are used in cases provided for by economic contracts, as well as a means by which suppliers can exercise influence over those who violate payment discipline. The bill of exchange makes it possible to receive payment by the date that was agreed upon with the seller and to draw up instruments of obligation between enterprises. An important advantage of the bill of exchange is that it makes it possible to obtain the payer's acceptance at his place of residence of the obligation contained in a draft to pay the draft at maturity, or, in the case of a reliable client, also the consent of the bank to guarantee payment of the amount indicated in the draft. Payment of the full or partial amount indicated in the bill of exchange can be guaranteed by an aval, which can also be granted by a bank. Insofar as the entity providing the aval is equally responsible for payment as the entity on whose behalf the aval is issued, this serves as another guarantee of payment.

All the described advantages of the bill of exchange indicate that we need to put these notes into economic circulation as soon as possible and promote banking operations using bills of exchange, inasmuch as their investment potential is much higher than, for example, that of certificates of deposit (let alone that of deposits) because of their greater liquidity and the fact that they can be used as a means of payment. In existing conditions, short-term transactions involving bills of exchange will be most popular with investors. The need for bills of exchange emerges when there is a temporary surplus of uncommitted funds.

The state's discount policy can serve as an important anti-inflationary tool—that is, the aggregate of measures applied by the National Bank of Ukraine to regulate the discount rate and, through it, the bill of exchange rate, the interest rate on loans granted to commercial banks, and thereby the interest rate on deposits. Discount policy affects the most important aspects of the life of the state: monetary circulation, foreign trade, enterprise profits, and price levels. The main tool used to affect these factors is changing the amount of the discount rate on short-term obligations.

Inasmuch as the bill of exchange may be used both as a means of payment and as a means of accumulation, the use of bills of exchange assumes special importance in conditions marked by the growth of nonpayments (including interstate nonpayments) and rising inflation. Bills of exchange can significantly speed up interstate settlements. This is because bills of exchange are in wide use in

the CIS countries, where they have already demonstrated their usefulness in dealing with the negative phenomena present in the economic situation.

To ensure a regime that does most to promote the use of bills of exchange and to speed up the circulation of the funds invested in them, the National Bank of Ukraine drew up a number of normative documents that regulate the procedure to be used by commercial banks to engage in transactions using bills of exchange, including using them to pay export duties on customer-supplied raw materials, and regulations for drawing up and using bills of exchange forms.

In the sphere of monetary policy, the National Bank has set itself the goal of attaining a real exchange rate for the Ukrainian karbovanets against freely convertible currencies based on a balance of demand and supply. To attain this goal and to bring order to the currency market while protecting the national currency at the same time that measures are applied to stabilize internal monetary circulation, the NBU is reducing the circulation of foreign currency as a means of payment on the territory of Ukraine.

In the most general terms, the currency market is an organized system of stable relations between structures authorized to buy and sell foreign currency. The infrastructure of the Ukrainian currency market is still in the process of being set up and is personified by the commercial banks that were issued a license by the NBU to conduct foreign currency transactions and by the tender of the Center of Interbank Clearing Operations, which began to function after a temporary halt in the operation of the Ukrainian Interbank Currency Exchange.

The situation in Ukraine's currency market is characterized by small volumes of foreign currency sales. Because in accordance with the directive of the Cabinet of Ministers of Ukraine the foreign exchange receipts of exporters were subject to mandatory sale at the interbank currency market at the NBU rate (50% of the total amount earned), the Prominvestbank bought up all the foreign currency in order to pay for the oil, gas, and lumber delivered to Ukraine. Consequently, only an insignificant portion of foreign currency receipts were sold through the Interbank Currency Exchange.

The existence during the preceding half-year of two currency exchange rates—the NBU's fixed rate and the rate on the currency exchange—has put exporters, who are simultaneously importers of equipment, into a very difficult situation by causing them to suffer significant losses because of the difference in exchange rates. This resulted in confusion and prompted some abuses in bookkeeping and currency transactions, especially in trade, where foreign currency is used as a means of payment.

The most important prerequisite for the development and functioning of the foreign currency market at this stage is changing the existing procedure that regulates the mandatory sale of foreign exchange receipts. The decree issued on 9 February 1993 by the Cabinet of Ministers of Ukraine

"On the System of Foreign Exchange Regulation and Foreign Exchange Controls" provided for the sale of 100 percent of foreign exchange receipts from exports. Based on the experience of IMF member countries (such as Cyprus, the Czech Republic, Slovakia, Greece, Ireland, South Korea, Norway, Poland, and Portugal), this makes it possible to significantly increase the volume of foreign currency offered on the currency market and creates a more justified basis on which to establish the exchange rate of the national monetary unit on equal terms for all enterprises, inasmuch as banks must sell foreign currency to all importers. But this effect can be achieved only under certain conditions—that there exist a working market mechanism governing the functioning of the economy and a developed foreign exchange market infrastructure. Given the real state of the Ukrainian economy, which is characterized by falling production volumes verging on collapse, a constant shortage of domestically produced raw materials causing an increased demand for foreign currency needed to import these raw materials, and a small volume of exports because of the noncompetitiveness of domestic products, introducing the sale of 100 percent of foreign exchange receipts by enterprises will produce the opposite effect. As experience has shown, the amounts of foreign currency available on the interbank currency market are decreasing, because enterprises are concealing their foreign exchange receipts by transferring them into their foreign partners' correspondent accounts, switching to barter transactions, or simply resorting to criminal operations, as well as because of a shrinking of exports, which are becoming unprofitable. Consequently, these conditions make it more expedient to make only a portion of foreign exchange receipts subject to mandatory sale on the interbank currency market, thereby leaving some incentive for enterprises to engage in exports. At the same time, a certain portion of foreign exchange from the mandatory sale must be earmarked for the formation of the Official Foreign Exchange Reserve of Ukraine. This is an essential prerequisite for accumulating the minimum level of funds by the Official Foreign Exchange Reserve that will make it possible to support the exchange rate of the national currency and international liquidity with respect to the credits extended to Ukraine. Once the minimum level of funds in the foreign exchange reserve is attained, it will be possible to eliminate the mandatory sale of foreign exchange receipts and to allow the freedom to buy foreign currency depending on internal currency market conditions and the available supply of the karbovanets (hryvnya).

The program for the development of Ukraine's currency market provides for: a policy to stimulate exports; encouraging the inflow and reducing the outflow of foreign currency by pursuing a policy designed to reduce nonessential imports; attaining a positive balance of payments; developing trade on the currency exchange by expanding the number of currencies that are sold in exchange for the Ukrainian karbovanets; allowing forward contracting and futures transactions in order to ensure the possibility of hedging (insuring) the risks of exporters and importers as

to the exchange rate; and easing access to the Ukrainian currency market, primarily for nonresident sellers.

In circumstances of a developing market economy in money and credit policy, the NBU will try within the limits of its jurisdiction to apply measures designed to create a foundation for the long-term growth of real production, high employment, and price stability.

The most important problem now facing the National Bank and the entire banking system of Ukraine is the need to overcome the high rate of inflation. To achieve this, the NBU believes it necessary to apply a complex of measures.

1. To regulate Ukraine's emissions policy, which will be based on the following principles: The National Bank of Ukraine must be the sole emissions center, and emissions activity on the part of the government (through the budget) and commercial banks is prohibited; to gradually reduce the NBU's centralized credits to cover the budget deficit and the domestic state debt (towards this end the government must issue and put into circulation government securities); to prohibit emissions activity by the NBU to regulate interenterprise debt. Commercial banks must keep accounts of interenterprise debt at a single bank and among clients of different banks, on the basis of individual interbank agreements.
2. The National Bank will apply measures to reduce the money supply in circulation using only the market levers it has at its disposal—in other words, by means of the official refinancing rate and the reserve requirements.
3. In order to control the effect of state spending on inflation, the government has to create a clearly defined legislative basis for prohibiting the state to spend in excess of the state budget by resorting to credit flows and thus prevent shifting the responsibility for the financial and budgetary disequilibrium onto the banking system, which undermines the stability of the national currency.
4. The sale of credit resources to commercial banks must be conducted by the National Bank solely through auctions.
5. Interbank trade in credit resources must be conducted through the interbank exchange.
6. It is necessary to renounce the existing practice of targeted distribution of credits through the NBU in accordance with the decrees and decisions of the Supreme Council of Ukraine and the government.
7. To ensure that production has access to credit by extending credit to commercial banks for issuing loans for highly effective programs and on the basis of concrete obligations assumed by enterprises to produce goods, and to make credit less expensive for priority needs by paying out compensation to enterprises from the state budget.

8. It is necessary to attain a positive interest rate on credits by raising the National Bank's discount rate to take into account the rate of inflation, which will make it possible to apply market principles to regulate the credit market, eliminate abuses in the extension of credit by commercial banks, and ensure that individual deposits and enterprise funds are genuinely protected from devaluation.
9. To implement a policy for protecting individual deposits at or close to the discount rate of the National Bank through commercial banks, which, due to certain circumstances, enjoy a monopoly status in the regional credit market.
10. Taking into account the need to pursue a harsh monetary and credit policy, to include in the list of priority tasks the development of alternative ways of putting indispensable financial resources into circulation by developing the market dealing in enterprise securities, including by means of issuing the obligations of enterprises in the form of bills of exchange.
11. To ensure the reliability of Ukraine's payments system by putting money into electronic circulation, reducing the period of time needed for settlement transactions, and increasing liability for violations.
12. To conduct work to improve the system of interbank settlements with foreign countries, especially with CIS countries, with the objective of establishing the period of time in which payment must be made and establishing responsibility for complying with these terms.
13. In the cash sphere, to implement a policy of organizing services for enterprises, providing incentives for members of the general public to keep their money in bank deposits, and developing nonmonetary transactions in the consumer sector through the use of checks, credit cards, etc.
14. To regulate the activity of commercial banks by a system of standards that would ensure financial stability and liquidity and protect the interests of depositors.

In conclusion, I would like to note that it is not possible to encompass as complex a field as the national banking system in a single article. I have therefore confined myself to outlining the main features of the existing banking system in Ukraine. Unquestionably, conducting market reforms in the national economy must be accompanied by an attempt to understand the problems of one of the economy's most complex sectors—the banking system, its present status, and its prospects for the future.

Finance Collegium Appeals to Meshkov

*94K18264 Simferopol KRYMSKAYA GAZETA
in Russian 19 Jul 94 p 1*

[“Appeal of Financial Organs of Crimea to the Supreme Council on Questions of Maximum Mobilization of Financial Resources”]

[Text] We, participants in a meeting of the collegium of the Ministry of Finance, who manage the city and rayon financial departments, are extremely concerned over the unsatisfactory condition of state finances in Crimea.

In an environment of unstable economic processes, a continuing slump in production, and chronic shortages of budgetary resources, it has become necessary to develop a new mechanism for the functioning of the budget-credit system.

With the aim of stabilizing the Crimean economy, we consider it objectively necessary to adopt the following measures in the budget and finance sphere:

1. Limit budgetary expenditures with their very strict standardization, and exempt the budget from a number of expenditures, in particular:
 - 1.1 Through the Supreme Council of Crimea, approve the limits on staff sizes of organs of local self-government, and through the corresponding soviets of people's deputies approve the numerical limits and norms for operating passenger cars;
 - 1.2 Revise the normatives of staff strengths in budgetary institutions and bring the wage fund into conformity with the indices according to networks, staffs, and contingents;
 - 1.3 Switch to the servicing of budgetary organizations, including the organs of state executive authority, on the basis of centralized bookkeeping;
 - 1.4 Limit the profits for enterprises and organizations that render public utility services to budgetary institutions and that perform civic improvements;
 - 1.5 Expand the practice of a daily in-patient facility in health service institutions.
2. Implement a phased transition from subsidization of enterprises to the targeted protection of the poor strata of the population:
 - 2.1 Cancel the budgetary subsidy to bread-baking enterprises and establish retail and wholesale outlet prices for bread with the regulation of profit for bread producers, the price of flour, fuel, and gas, and the scale of trade markups, and periodically revise them when there is a justified increase in costs for the production and sale of bread. With an increase in prices for bread, revise the scale of specified subsidies to poor citizens.
 - 2.2 Change the existing procedure for feeding in schools, providing free food for pupils in grades one to four only to children from poor families.
 - 2.3 Improve the procedure for the payment of benefits to families with children, canceling compensation to able-bodied parents who do not have valid reasons for not working and who have incomes that are not accounted for anywhere. In determining aggregate income for the payment of benefits, take into account in value terms products that are sold by enterprises, organizations, kolkhozes, and sovkhoses at preferential prices;

- 2.4 Approve a list of medicines and prescriptions issued to citizens who have the right to a benefit.
3. For the purpose of increasing the efficiency of use of energy and water resources:
 - 3.1 Establish a payment for kolkhozes and sovkhoses for the use of water to irrigate land on a scale of 30 percent of the established rate;
 - 3.2 Establish a single rate for thermal power produced by thermal supply organizations, differentiating them according to cities and rayons.
4. Continue work on the creation of an effective tax system that stimulates production. For this:
 - 4.1 Introduce a tax on the property of juridical and physical persons with the aim of more effective use of the existing production base, overcoming the trend of an increasing number of incomplete construction sites, and controlling super incomes of individual categories of the population;
 - 4.2 Grant the government the right of temporarily establishing favorable tax rates on added value and of excise tax collection for the purpose of a prompt resolution of questions on accelerating the sale of products that have accumulated in producer warehouses, on the condition that tax revenues for the budget are not reduced;
 - 4.3 Revise the procedure for entering the excise collection in the budget, after establishing a date for transferring it on the day of transaction completion;
 - 4.4 Switch to the taxation of small business enterprises by means of establishing monthly fixed payments;
 - 4.5 Revise the scales of the rates of payment for land occupied by military units of the CIS countries, taking into account the missed profits from the productive use of these lands. Implement the transfer of payments for land occupied by military units to the budget of the Republic of Crimea;
 - 4.6 Increase the scale of the untaxable wage minimum in calculating income taxes from citizens, while simultaneously revising the scale of progressive taxation for persons with high incomes;
 - 4.7 Restore the collection of the income tax from kolkhoz workers and workers and employees of state farms and other agricultural enterprises on incomes from in-kind wages in the form of agricultural products.
5. For purposes of overcoming the nonpayments crisis, implement in the republic an offset of mutual indebtedness between enterprises and organizations for the stabilization of their finances.
6. Establish that in the event parties to a legislative initiative or other organs introduce proposals for granting benefits in the taxation of enterprises and

organizations, or for the allocation of supplementary appropriations from the budget, they must simultaneously submit proposals directed at the appropriate replenishment of incomes or reduction of budget expenditures.

7. Revise the existing system of tax benefits. Reject the practice of the untargeted introduction of tax benefits according to branch affiliation. Allocate finances only according to special purpose programs for the development of production for improving services to the population.
8. Put under the control of the Crimean Ministry of Finance the expenditure of nonbudget fund resources and insurance accumulations received owing to premiums for compulsory insurance. Use part of the resources of the social insurance fund that goes for the payment of medical certificates and for financing the maintenance of patients in in-patient hospitals.

We are hoping for your support in the resolution of the questions raised.

[signed] Participants of the expanded meeting of the collegium of the Crimean Ministry of Finance
20 Jun 1994.

Pynzenyk Criticizes Fixed Exchange Rate

944K1737A Kiev NEZAVISIMOST in Russian
6 Jul 94 p 3

[Article by V. Andreyeva: "Viktor Pynzenyk: 'Fixed Exchange Rate of Karbovanets Is Right for the Mafia'"]

[Text] Not only the writer of these lines but a representative of the loyal GOLOS UKRAINY as well were barred from a session of the Commission of the Supreme Council on Questions of Finance and Banking. The commission studied something that has been a sore point for a long time—the need to repeal the excessively high fixed exchange rate of the karbovanets.

What is interesting, however, is not V. Suslov, the commission chairman, considering the content of this fundamental debate secret, but the events that developed around the attempt to introduce a draft decree on changes and amendments in legislation of Ukraine on currency regulation at plenary sessions of the Supreme Council. The proposal to submit that point for inclusion in the agenda was signed by 115 deputies which is a number sufficient for automatic inclusion. Nevertheless, several days were required for the draft decree and the explanatory note to be unsealed and distributed to the deputies. Quite a lot of what may be regarded as original took place at the commission session as well: The chairman simply did not submit the main points of the draft to a vote, on his own volition bypassing the parliament, and also denied the floor to people's deputies, members of other commissions, who were present.

If they do not have a grasp of the finer economic points, it might appear to a journalist or a reader that this subject deals with highly specific, pseudo-scientific nuances hardly of interest to a broad circle of people. I was forced to think

about what is taking place by the words of Viktor Pynzenyk, professor of economics, a people's deputy, and one of the authors of the draft: "This is one of the most socially oriented draft laws of recent times. The resolution of this question is linked with the most vital problems affecting every citizen of Ukraine: Because the exchange rate of the karbovanets is fixed plants stand idle, the budget receives less revenue, which, correspondingly, hurts pensions and wages in those spheres that are financed out of the budget."

In fact, this is understandable even to a child: To artificially declare our money to be worth more, have a greater value with relation to hard currencies—is the same as, having the unbridled self-confidence of a five-year-old, drawing some more zeroes on a worn ruble note. No additional candy can be purchased for the sum designated by the fabricator. That, however, is exactly what is presently taking place.

Since hard currency is so cheap in the country, export becomes unprofitable. The greatest decline in production in our country today has taken place specifically in branches producing export goods: the chemical, ferrous metallurgy, and machine building branches. Since there are no exports, there are also no funds for the purchase of what is needed by those branches of industry that depend on imported supplies. If one is to speak about possibilities for a great variety of machinations aimed at the super-enrichment of a few individuals, in that case the fixed exchange rate opens up a real Klondike. There is the possibility for elementary currency speculation: Those who have access to a source purchase dollars at a ridiculous price while selling them at the real black-market price. It is possible to escape taxes by selling the acquired currency at a low exchange rate, but selling it, naturally, to self-owned structures, thereby substantially lowering the real taxable profit on paper. It is possible, for instance, to submit a contract for purchase of oil, acquire cheap currency on that basis, and then use it to purchase Snickers candy and Tampex.

"Then what is the matter? Why is it so difficult to do away with the fixed exchange rate? The sacramental question is—who benefits from it?" I asked Viktor Pynzenyk.

"It is profitable for those who have access to cheap currency."

"Is it they who make decisions in our country?"

"People's deputies, in principle, do not have such access. If they are resisting the elimination of the fixed exchange rate, in most cases we can blame excessive idealism or the lack of elementary knowledge of economics. Some favor V. Suslov's demagoguery, dealing with the idea that 'the state must regulate.' It must, in limiting emissions, but not in artificially fixing the exchange rate. In general, more broadly, any double prices are beneficial only for the mafiosi. Remember that we lived in a world of double prices for 70 years. Store beef at two rubles. Whoever saw that on the market? The parade was commanded by something else, the market price

for meat. This was profitable either for those who, among the very few, had access to the two-ruble benefit, or for those who redirected the beef to the market. By the way, during the election campaign, almost all the deputies, including the communists, placed the pledge to fight corruption almost at the head of their list. Discussion of the elimination of a fixed exchange rate is a real litmus test for fighters against corruption."

According to rumors, the draft law of Ukraine on introduction of changes and amendments in the legislation of Ukraine on currency regulation will be reviewed at the plenary session today, Wednesday. Well, we will check the litmus paper and those who, so to speak, take the test, indicating whether the people's choices merely talk about a desire to overcome the mafia and establish order in the economy.

INTERNATIONAL AFFAIRS

Ukraine, UAE Relations Viewed

944K1741A Kiev URYADOVYY KURYER
in Ukrainian 30 Jun 94 p 9

[Interview with Oleh Semenets, Ukraine's temporary charge d'affaires to the United Arab Emirates, by Andriy Chyrva; place and date not given: "The Emirates Will Help Us"]

[Text] It is better to have many friends than no friends at all. This view is shared by Oleh Semenets, Ukraine's temporary charge d'affaires to the United Arab Emirates. Our correspondent decided to find out what the embassy does and what kind of prospects there are for relations between the two countries.

[Chyrva] Lately, relations with the Emirates have grown closer and more productive. How did these relations evolve?

[Semenets] Diplomatic relations between Ukraine and the UAE were established in October 1992. A government delegation, headed by Ukraine's prime minister, visited the UAE in April 1993. The desire of both countries to maintain relations at the ambassadorial level was confirmed during the visit, and the principal fields of future cooperation were outlined. The embassy opened on 1 January of this year. This, incidentally, is our first embassy in a Persian Gulf country.

[Chyrva] In establishing relations in this region, why did Ukraine begin with this particular country?

[Semenets] The UAE is a federation of seven emirates, which united in 1971-72. They possess nearly 10 percent of the world's known oil reserves, and this has served as the basis for their economic development and strengthened their political role in the region. The country pursues an actively peaceful policy, maintains friendly relations with many countries of the world, and is an active member of international organizations. In the economic sphere, despite the fact that the country's oil reserves, which are concentrated mainly in the emirate of Abu Dhabi, will last at least another hundred

years, the country's government, headed by Sheik Zayid bin Sultan Al Nuhayyan, is implementing a policy aimed at diversifying the economy and reducing its dependence on world oil market conditions. Such sectors as trade, banking, construction, transportation and communications, power engineering and water supply, the metal-working, metallurgical, ship repair, light, and food industry, agriculture, etc. are being actively developed.

The country has created a favorable climate for foreign investment into various projects. Several free economic zones (Jabel 'Ali, al-Fujayrah) have been established with extremely favorable terms for investors. In a short period of time, the UAE has become a modern country with a developed infrastructure and liberal foreign economic legislation.

[Chyrva] What objectives has the Ukrainian embassy to the UAE set for itself?

[Semenets] Objectives that are in line with our foreign political and foreign economic conception: a wide-ranging endeavor to inform the local leadership and business community about Ukraine and the opportunities that it offers. We are beginning to be perceived as one of Europe's largest countries, a responsible member of the world community, and a potentially promising business partner.

The establishment of trade and economic relations between the two countries is important, as is creating a legal basis between Ukraine and the UAE.

[Chyrva] Which fields of cooperation between Ukraine and the UAE are the most promising?

[Semenets] The building sector—participation by Ukrainian enterprises in building certain projects, supplying fittings and other building materials; the metallurgical sector—participation in building medium-sized enterprises, supplying raw materials, certain types of machines and equipment, for example, KrAZ trucks, supplying certain types of chemical products, particularly those used in the oil and gas sector and in environmental protection, especially from oil spills, etc. The promotion of the output of the military-industrial complex on the local and regional markets holds promise.

The first Ukrainian international exhibition [vystavka—trade fair?] that was recently held in the city of al-Sharjah played an important role. But so far UAE businessmen and investors are exhibiting only moderate interest in entering our market directly, for the most part offering Ukraine reexports of consumer goods, food products, etc.

[Chyrva] Do you encounter many difficulties in your work?

[Semenets] We are virtually beginning from zero in establishing trade and economic relations between Ukraine and the UAE in a situation in which the UAE market is highly competitive and offers a limited local consumption potential. On the other hand, our entry into the UAE market, which is a large regional trading center, may eventually gain orders for Ukrainian producers not only from Persian Gulf countries but, for example, from South Asia. This requires the permanent presence in the UAE of qualified Ukrainian trade personnel. In addition, there should be Ukrainian companies and enterprises in the UAE, which can happen only if these companies are very active and have ties with local intermediary companies.

The years of moving to the market should by now have taught us the culture of business relations and simply human relations. The lack of this culture scares of potential partners. The limited experience that the Ukrainian embassy and local businessmen have had in dealing with Ukrainian producers and ministries, which, as a rule, do not even bother to respond to inquiries, indicates, at the very least (if not something more serious), a lack of interest on the part of the latter in establishing contacts.

And the last point. There are a number of issues of very great importance to the development of bilateral trade and economic relations over which Ukraine's foreign embassies have no control. These include creating a stable political situation in Ukraine and ensuring favorable conditions for foreign economic activity for both Ukrainian producers and their foreign partners, including providing security guarantees for business in all its aspects. Until these issues are resolved, it is difficult to expect rapid development of Ukraine's trade and economic relations with foreign countries.

ARMENIA

Justice Minister on Legal System Problems

448151-1 Yerevan *RESPUBLIKA ARMENIYA*
in Russian 19 Jul 94 p. 2

Interview with Republic of Armenia Minister of Justice Vage Stepanyan by Dzhylyetta Amirkhanyan; place and date not given. "Vage Stepanyan: 'Nothing Should Be Absolutized'"

[Amirkhanyan]

[Amirkhanyan] You played an active role in developing a concept of the judiciary which became part of the parliament's draft of the Republic of Armenia Constitution, so I am turning to you with my doubts. My question is about *real* guarantees of the independence and autonomy of the judiciary. On the one hand we proclaim the principle of the nonsubordination of justices, which is the only way to shield them from any kind of diktat. On the other, we permit recall of justices if they are not fit to hold the job. This "if" is the case, since it in fact opens a way to exert pressure on the justices. The Supreme Court, which in developed countries is subordinate only to Themis, becomes a sham. On the other hand, as it is today, subordinate to the executive branch. Could you please briefly present your counterarguments?

[Stepanyan] Impeaching a parliament in the event it is obstructed in its duty and relieving of duty officials of the courts and justices of any level in the event they violate the constitution and laws of the state is a normal procedure envisaged by the laws of practically all democratic law-bearing states. The only thing that probably is not permitted removal of the head of state in conditions of absolute monarchy.

It would be illogical to preclude the removal of a public servant if he is for some reason unable to perform his duties properly. Our draft (and not only) introduces the mechanism for disbanding the parliament, removing from office (impeaching) the head of the state, the national president—and the resignation of the government. So the question is whether we should implement in circumstances absolutize the principle of the nonsubordination of justices and take it to the point of the absurd.

The real problem, in my opinion, lies in a somewhat different dimension. The laws must codify clear mechanisms of exhaustive grounds for recall of justices. For example, crimes and prolonged illness; being charged with a crime; loss of request; etc. If this is done, subjectivism is dispelled and the issue of justices' recall will be precluded and the ability to exert pressure on the judiciary minimized.

It is important the principle of separation of branches should not be absolutized either. It may be correctly understood and applied only in the context of a single state authority. If this principle is interpreted that way, there will be no need for additional substantiation of the correctness of the

constitutional commission's approach to the solution of the problem of the judiciary. The legislative branch issues laws which set the procedure for selection and appointment of justices, awarding them rank, the entire procedure of justices' activities, charges being brought against them, their recall, and so on, etc. The republic president upon recommendation or with the concurrence of the Judiciary Council and in precise compliance with the requirements of the law decides personnel issues. At the same time the courts, on the basis and in execution of the law, make decisions compulsory for everyone—including the legislative and executive branches.

[Amirkhanyan] The creation of another new structure—whether legislative, executive, or judiciary, it does not matter—is associated with another monster coming into existence, most likely useless and costly for society. How expedient is it today to set up regional courts?

[Stepanyan] Reviewing cases of the lower court, hearing appeals, and reviewing case as part of oversight is currently done by courts of two levels: rayon (city) and the Supreme Court. The republic Supreme Court both hears appeals and reviews cases for oversight purposes. Moreover, in some instances the Supreme Court acts as the lower court as well. It is obvious that the existence of three procedures for case review, which are in hierarchical collateral subordination at that, unequivocally requires the existence of three levels of courts: for instance—local, oblast, and the Supreme Court. I want you to understand me correctly. This position is not in any way a result of doubts about the competency and objectivity of the Supreme Court. The crux of the matter is not the people but the correct organization of state structures.

I think that the nobody any longer doubts the need to create a three-tier court system.

[Amirkhanyan] Does the plaque "People's Court of X Rayon of the Republic of Armenia Ministry of Justice" not seem absurd to you? The court is subordinate only to the law.

[Stepanyan] I agree with you. Rayon (city) courts are not Ministry of Justice courts—they are Republic of Armenia courts.

[Amirkhanyan] Then propose the removal of those plaques. Another thing that is hard to understand, namely, Organizational leadership of the courts' activities, which since Soviet times have been vested with the Ministry of Justice. What does this mean?

[Stepanyan] I have already elaborated on this topic many times, so forgive me if I begin repeating myself. Let me start somewhat in the spirit of Kozma Prutkov: If there is an organizational function, somebody has to carry it out. It could be either the Ministry of Justice or the Supreme Court. Organizational subordination of rayon (city) courts to the Ministry of Justice plays a balancing role, which guarantees their independence from the higher court. Only then will the courts be truly independent. Organizational leadership of courts on the part of the Ministry of Justice provides

this situation. This is not an offspring of the Soviet system—it is a commonly accepted approach. If the Supreme Court is given, for instance, the function of organizational leadership of rayon (city) courts, it will no longer be a system of independent courts but a strictly centralized structure with a ministry in kind and local branches

[Amirkhanyan] The records on convicted persons, as is known, are kept in your ministry. There is an opinion that this impedes the Supreme Court's work. Is this so?

[Stepanyan] If the Supreme Court wants to act as a ministry in relation to rayon courts and control their every step, then yes, not having convicts' records on hand makes such a task perceptibly more difficult. These records are handed over to the Ministry of Justice and are kept here, since they are necessary for keeping statistics.

[Amirkhanyan] The sphere of Ministry of Justice activities is so broad that it, if you will forgive me, takes your breath away—from organizational leadership of courts and systematization of legislation to drafting legislative acts and methodological leadership of legal work in the economy, oversight of the notary system, civilian registrar offices, the bar, and so on. And this "and so on" includes no less complex spheres of work as, for instance, legal evaluation of international treaties. Can you really cope with all this?

[Stepanyan] We do our best. I must say that the sphere of activities of the Republic of Armenia Ministry of Justice is extremely narrow compared to similar ministries in established law-based states. For instance, in some countries the Ministry of Justice system also includes the procuracy; in other countries—the entire investigative apparatus. As a rule, correctional labor facilities in all countries are subordinate to the Ministry of Justice (we have it under MVD [Ministry of Internal Affairs] jurisdiction). Generally in democratic countries the Ministry of Justice is one of the primary ministries, and I think that as democracy develops, the competence of the Ministry of Justice will expand in Armenia as well.

[Amirkhanyan] How is one to interpret the participation of the minister of justice—that is, a representative of the executive branch—in the legislative structure: the parliamentary Judiciary Council?

[Stepanyan] If you mean our draft of the Republic of Armenia Constitution, it does not place the Judiciary Council in the structure of the legislative branch. It is an organ formed by the parliament and the president. Take the constitution of any state that envisages the existence of such a body and you will see that they all recognize the minister of justice's participation in the Judiciary Council as either its chairman or deputy chairman. It is just that unlike others we also included the chairman of the republic Supreme Court in the Judiciary Council as well.

[Amirkhanyan] The chairman of the Judiciary Council is the republic president. It appears that as chairman of this council he then has to petition himself as the president or,

in reverse, as president he has to petition himself as the chairman of the Judiciary Council... Could you please explain this controversy?

[Stepanyan] The Judiciary Council is a collective body which consists of 10 members and makes decisions by majority vote. The republic president has one vote in this council. Modern constitutions—not only of presidential but also of parliamentary republics—recognize the president's right to chair such a council. As a rule, however, the president does not participate in the work of the council and the judiciary, and the meetings are chaired by the minister of justice.

[Amirkhanyan] Are you satisfied, as the minister of justice and a legal scholar, with the lawmaking activities of the parliament's legal commission?

[Stepanyan] I cannot be completely satisfied with the state of our legislative activities. But I do not want to blame anyone. I will only tell you that some blame probably rests with the Ministry of Justice as well.

[Amirkhanyan] You have already registered about 40 parties. In your opinion, so many parties—is this good or bad?

[Stepanyan] I would refrain from a "good or bad" appraisal. But a multiparty system is only effective if there are several major parties in the country. One cannot seriously hope that the voter can be knowledgeable and make a correct judgment on the programs of 40 parties. And the law on elections now being discussed in the parliament will in my opinion be optimal if it encourages the formation large parties or party blocs. Such a law will facilitate effective work in a new parliament, where it will be easier to make decisions with two or three large party factions. As to the law on parties, it is sufficiently liberal. For instance, you and I can set up a party if we have 25 drams in our pocket. If we have 1,000, we can set up 40 parties. Interestingly, after an active period of forming new parties, which coincided with the passage of the law, a perceptible drop followed, but now activities are picking up again. Most likely this is due to the upcoming elections of a new parliament.

[Amirkhanyan] Which political party do you sympathize with?

[Stepanyan] As minister of justice it is my duty to be impartial to all parties and not express my preferences.

[Amirkhanyan] Why are you convinced that Armenia needs a presidential system of governance rather than some other?

[Stepanyan] The level of the current parliament's ability to act. At the end of 1990 the parliament, having failed to form a full government, empowered the prime minister to appoint acting ministers. This was an acknowledgement of the effectiveness of the presidential form of governance for us. Regardless of which party is in power, I remain a supporter of a presidential republic.

Legal Status Sought For Antinarcotics Service

94WD0475A Yerevan RESPUBLIKA ARMENIYA
in Russian 14 Jul 94 p 1

[Letter: "So That the Fight Against Narcotics Addiction Does Not Ease Up..."]

[Text] A group of well-known representatives of Armenia's intellectual class has sent an open letter to RA [Republic of Armenia] President Levon Ter-Petrosyan and to the Supreme Soviet, asking for the intensification of the fight against narcotics addiction. The letter states, in particular:

"In order not to sin against the truth, it should be noted that, we are proud to say, two years ago the republic leadership, concerned about the resolution of this problem, took the first steps in this direction. The appropriate service was created in the MVD [Ministry of Internal Affairs] system: the Administration For Fighting the Narcotics Business and Narcotics Addiction (the former 4th Administration), headed by Sergey Aslanyan.

"During the period of its short existence, for just one year, the entire work performed by the administration, judged on the basis of the principles and methods of the fight being waged, indisputably represented a positive shift in the resolution of this question, and that gave the republic's population high hopes and confidence. However, the strict adherence to principles in management and the high level

of awareness of honor and dignity gave rise to unprecedented opposition, as a result of which, first, the administration head resigned, and then the administration itself was eliminated. The work carried out after that, and even the coordination council that had been created in accordance with a presidential edict, were unable, basing themselves on the already achieved administration, to obtain any qualitative development of the measures that had already been begun. Moreover, today those measures are limited to the framework of purely police methods

"Profoundly worried about the continuing problem of Armenian genocide, and realizing the entire gravity of the evil and the further consequences, we feel that the time has come to face head-on this calamity that threatens mankind as a whole: taking into consideration the rich experience of world civilization and international legal norms (the United Nations international conventions concerning the illegal dealing in narcotics), we demand the restoration of the legal status of that service, but this time under the immediate subordination and monitoring of the president of the Republic of Armenia."

The persons who signed the letter include: Archbishop Nerses Pozanalyan, business manager of the Echmiadzin Catholicate; writer Sero Khanzadyan; people's artist Khoren Abramyan; poet Gevorg Emin; people's artist, movie director Frunze Dovlatyan; lawyer Ruben Rshtuni; physician and narcotics expert Laura Simonyan; psychiatrist and narcotics expert Gayane Nardazaryan; and others.

REGIONAL AFFAIRS

Nordics Join St. Petersburg Mobile Phone Project

*94P20888A Helsinki HUFVUDSTADSBLADET
in Swedish 2 Jun 94 p 10*

[Finnish News Service report: "Nokia-GSM for Petersburg"]

[Text] Nokia Telecommunications is delivering the telephone sets for the GSM-mobile telephone network in St. Petersburg. [The Finnish government-owned telecommunications company] Tele bears main responsibility for the net, on which construction will start in late summer. The

net, which also will handle data transfers, will go into operation at the end of this year.

Construction work will start in the center of St. Petersburg. In four years the network will also cover other populations centers and the highways connecting them. The network will rapidly be extended to such other cities as Vyborg.

In addition to Tele, the NW [?northwest] GSM net is owned by Telia of Sweden, the Norwegian investment house of Nortelinvest and the Russian telephone company in St. Petersburg.

The mobile phone net is regarded as the fastest way to improve telecommunications in the region.

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